Japan's economy
The cure will be harder this time
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A punt on the Punto
Fiat's six-speed gearbox for the mass market
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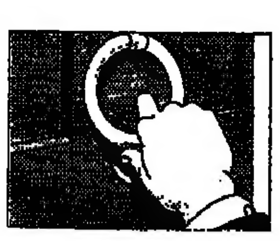
Fighting card fraud
The copy-proof magnetic strip
Technology, Page 12



Who's that knocking?
Direct sales in eastern Europe
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY OCTOBER 7 1993

D8523A

Allianz disclosure reveals market value of DM8.9bn

Allianz, Europe's largest insurance company, disclosed the biggest of its extensive holdings in German and foreign companies, showing a combined market value of DM8.9bn ($5.5bn) at the end of June.

The Munich-based group followed Daimler-Benz's decision to publish its accounts according to US Generally Accepted Accounting Principles as part of its listing on the New York Stock Exchange. Page 17; World stocks, Section II

Sharif claims poll win: Former prime minister Nawaz Sharif claimed general election victory for his Pakistan Muslim League party on the basis of his party's early unofficial count.

Europe 'on track' for Emu: Europe is on track for economic and monetary union, in spite of the August upheaval in the exchange rate mechanism of the European Monetary System, Germany's top finance official Gert Haller said. Page 16

BNP shares sale closed: The sale of shares in Banque Nationale de Paris to institutional investors has been more than 12 times over-subscribed, causing the French Government to close the offer after only two days. Page 17; Slower French recovery forecast, Page 16

Somalia vote postponed: The US Senate agreed to postpone by at least a week a vote that could have led to a cut-off in funds for the military operation in Somalia. Page 4

Date for Mideast talks: Israel and the Palestine Liberation Organisation will open talks on implementing their peace agreement in Egypt on October 13, Israeli prime minister Yitzhak Rabin and PLO chairman Yassir Arafat said. Page 6

Michael Jordan quits at the top

US basketball player Michael Jordan (left) announced his retirement, saying he had reached the pinnacle of his career. Jordan, 30, whose annual earnings and endorsements from companies such as the Nike sports shoe group were put at $50m, was top scorer seven times in his nine seasons in the National Basketball Association with the Chicago Bulls team. His departure deprives the NBA of its most charismatic attraction.

Irish PM appeals for patience: Irish prime minister Albert Reynolds appealed for "restraint and patience" regarding the nationalist peace initiative from Northern Ireland. Page 8; Editorial Comment, Page 15

Hong Kong deadline: Britain and China have "weeks rather than months" to agree on Hong Kong's political development, Hong Kong governor Chris Patten said. Page 6; Observer, Page 15

Japanese wage rise at 34 year low: Private sector wages in Japan rose an average 1.9 per cent for last year, the lowest growth rate in 34 years. Page 5; Germans ready for cuts in real pay, Page 2; González labour market threat, Page 2

British Aerospace shares fell for the second day running amid growing fears that a proposed venture to build aircraft in Taiwan would not go ahead. Page 17; London stocks, Page 25

Welfare state clampdown: Britain's social security minister Peter Lilley told the Conservative party conference there would be a crackdown on foreigners abusing Britain's welfare state. Tory conference report, Page 9; Spending cuts split Major's cabinet, Page 16; Observer, Page 15

Whitbread, the UK brewing, retailing and leisure group, announced proposals for reforming its 45-year-old share structure to give equal voting rights to all shareholders. Page 17; Lex, Page 16

Brussels probe Bull: The European Commission has opened a state aid inquiry into a FFr2.5bn (£290m) capital injection for the French state-owned Bull computers group. Page 2

Ford attacked on sales figures: Ford came under heavy attack from the leading UK car dealer association for "forcing registrations" and "distorting" the true state of the market. Page 9; Volvo defends merger, Page 18

STOCK MARKET INDICES

FT-SE 100:	3100.8	(+15.6)
Yield	3.78	
FT-SE Eurotrack 100	1321.84	(+7.93)
FT-A All-Share	1533.47	(+0.5%)
Nikkei	20,500.25	(+178.32)
New York lunchtime:		
Dow Jones Ind Ave	3,605.70	+18.44
S&P Composite	462.02	+0.82

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.034%
Long Bond	$103\frac{5}{16}$
Yield	6.007%

LONDON MONEY

3-mo Interbank	$5\frac{15}{16}$%	(same)
Liffe long gilt future:	Dec $114\frac{1}{32}$	(Dec $113\frac{3}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$17.24	(17.11)

Gold

New York Comex (Dec)	$358.2	(354.8)
London	$355.75	(353.25)

STERLING

New York lunchtime:		
$	1.5245	
London:		
$	1.526	(1.517)
DM	2.4775	(2.4625)
FFr	8.6525	(8.61)
SFr	2.17	(2.1575)
Y	161.0	(160.0)
£ Index	81.0	(80.5)

DOLLAR

New York lunchtime:		
DM	1.6235	
FFr	5.6675	
SFr	1.4215	
Y	105.525	
London:		
DM	1.623	(1.5235)
FFr	5.67	(5.675)
SFr	1.4225	(1.4215)
Y	105.6	(105.55)
$ Index	65.0	(65.1)

Tokyo close Y 105.63

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pts210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.600	Poland	Zl22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

New hold-up hits Eurofighter

Snags with 'fly-by-wire' control system push back maiden flight target to 1994

By David White, Defence Correspondent, in London

THE FIRST flight of the Eurofighter 2000, Europe's £32bn ($48bn) combat aircraft project, has been postponed for several more months at least because of difficulties with the computerised flight-control system.

The first prototype had been expected to fly in Germany this autumn, two years later than originally planned. It is now thought unlikely to make its maiden flight before next March at the earliest.

The Munich-based Eurofighter consortium did not give a new target date but indicated it would not be this year. A Bonn defence official predicted that the aircraft would not be cleared for flying before next spring.

Britain, Germany, Italy and Spain are jointly funding the £10bn development programme for the aircraft.

Eurofighter said the partners had decided to order a further phase of tests for the flight-control system. The first flight should only take place when the partners had "absolute confidence in the airworthiness of the software".

The software is the responsibility of the UK's GEC-Marconi Avionics as a subcontractor to Daimler-Benz's Deutsche Aerospace (Dasa), which is in overall charge of the control system. The so-called fly-by-wire system controls the flaps, rudder and foreplanes – small movable wings at the front of the aircraft – and the aircraft cannot be flown without it.

Sources close to the project said "tough negotiations" were now under way between the industrial partners.

Eurofighter, comprising Dasa, British Aerospace, Alenia of Italy and Construcciones Aeronáuticas of Spain, said it would try to limit the impact the delay might have on deliveries of the aircraft, due to begin in 2000.

"A further short delay is not considered likely to have a serious impact on the overall programme", it said. Britain's Ministry of Defence described the setback as "a minor disappointment". It said it supported the decision to conduct more tests.

"Software safety is of paramount importance and must have priority over any possible delay to the programme," it said.

A joint industry task force has been working in Munich since the spring to resolve the software problems. GEC-Marconi argued earlier in the project that it needed more processing power than was allowed for by Dasa.

The UK company's development contract is believed to be worth about £20m, following a 60 per cent increase due to programme changes.

Requirements for the first flight had already been reduced in an effort to meet a September target date, leaving further work on the system for later.

Programme managers said they needed to ensure the fly-by-wire system worked in all conceivable circumstances. Concern has increased since the first production model of Sweden's JAS 39 Gripen jet – a smaller aircraft of similar design to the Eurofighter – crashed in August. An investigation found that the electronic flight control system was to blame. A prototype of the same aircraft crashed in 1989.

The delay in flight plans is the latest in a series of tribulations for the Eurofighter project, relaunched last year after Germany threatened to withdraw. Other technical problems have involved its electrical generator and an auxiliary gearbox.

President warns of need to be decisive in the use of force to protect his regime

Yeltsin confirms poll date and ends press ban

By John Lloyd and Leyla Boulton in Moscow

RUSSIAN president Boris Yeltsin called on his countrymen last night to put the "nightmare of these black days" behind them, cancelled his order to impose censorship on the press and confirmed that parliamentary and possibly regional council elections would take place in December.

Mr Yeltsin, seemingly close to tears at the end of his first address since the suppression of the armed uprising in Moscow earlier this week, strove to heal the wounds of the violence. "Let us not say that someone has won and someone has lost," he said. "Such words are out of place, blasphemous. We have all been scorched by the death-like breath of fratricide".

He warned, however, that the fledgling democracy had in future to be more decisive in its use of force to prevent further attempts to destabilise his regime – and, apparently criticising his own staff, said that "not everyone had the self-control to withstand the huge tension at the critical moment".

General Vladimir Pankratov, head of the Moscow police, at a press conference earlier in the day, admitted the police "did not always act brilliantly" during the attacks on Sunday, but excused them by saying that "they were not prepared or trained for military action". Police stood by while parliamentary forces attacked the mayoral offices and the television studios.

Gen Pankratov, echoing Mr Yeltsin's point that democracy needed better defences, announced a shopping list for his men, including armoured cars, heavier weapons, training in sharpshooting and riot control.

In an article banned by censors in the liberal newspaper Sivodnya, Mr Sergei Parkhomenko, stationed in the Kremlin last Sunday, alleged that Mr Yeltsin and his aides in the Kremlin had been in a state of panic when demonstrators broke through police lines to the White House.

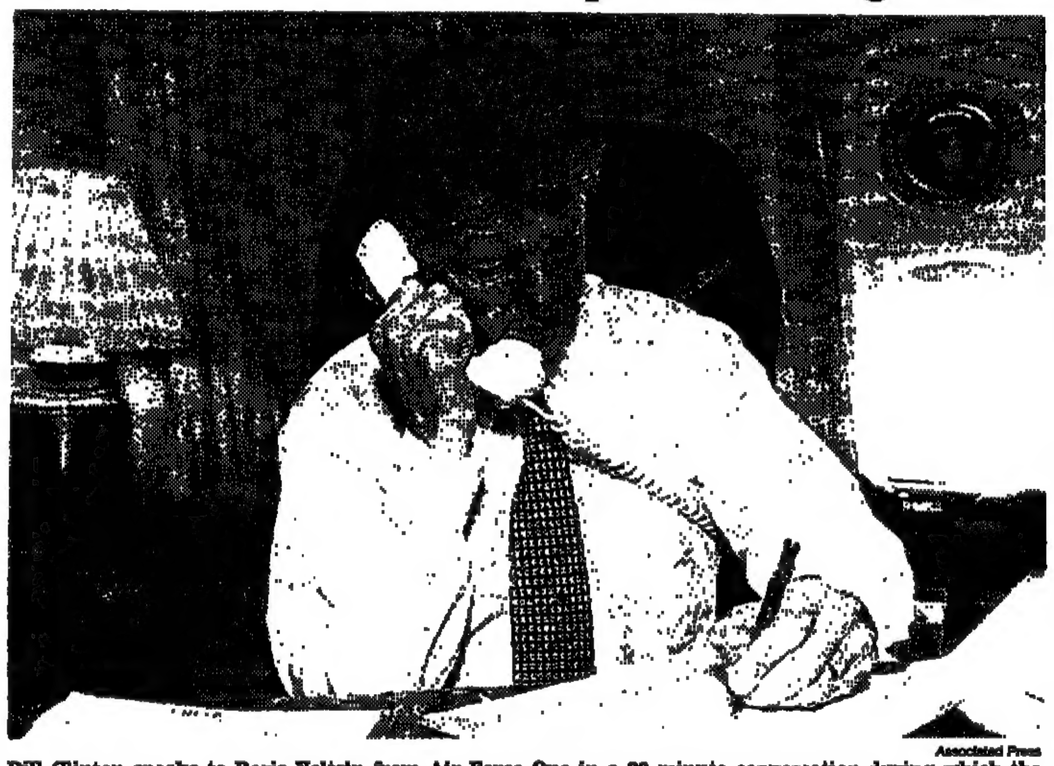
Mr Yeltsin's call for regional council elections had been trailed by his aides, but his mention stopped short of an order that such elections be held. He has not brought the regional leaders to Moscow since the violent events, and a meeting of the Federation Council set for Tuesday was cancelled without explanation.

The round of resignations continued yesterday with that of Mr Valery Zorkin, head of the Constitutional Court and a long-time target of Mr Yeltsin's camp for what it saw as his bias towards the banned parliament.

Mr Zorkin, in a letter to his 12 colleagues on the Constitutional Court bench, said: "I consider it impossible to carry out my duties in the current situation." His decision was taken after heavy pressure from presidential aides.

Mr Yeltsin appointed Mr Alexei Kazannik as procurator-general in place of Mr Valentin Stepankov, who was fired on Tuesday after changing sides from parliament to president too late in the day. Mr Kazannik, a professor of jurisprudence and an ethnic Ukrainian, was previously best known for voluntarily surrendering his seat as a Soviet deputy to Mr Yeltsin in 1989 when the latter had failed to be appointed to the Supreme Soviet. Mr Yeltsin spent part of the day discussing a new military doctrine with members of the Security Council – a doctrine due to be confirmed at its meeting next week. The official Tass news agency gave only vague details of the doctrine, say-

Continued on Page 16
Further reports, Page 5



Associated Press

Bill Clinton speaks to Boris Yeltsin from Air Force One in a 20 minute conversation during which the Russian president assured him that elections for a new parliament would still be held in December

González predicts Germany as site of new central bank

By Peter Bruce, Tom Burns and David Marsh in Madrid

THE European Community summit at the end of this month in Brussels is likely to decide to place the future European central bank in Germany, Mr Felipe González, the Spanish prime minister, said yesterday.

In an interview with the Financial Times, he said the expected decision, dashing British hopes of bringing the central bank to London, would help rebuild political momentum towards the goal of economic and monetary union.

The site for the European Monetary Institute, to be set up next year as the forerunner of the planned EC central bank, would reflect Germany's prime role in the anti-inflation "economic philosophy" behind Emu, Mr González said.

"I believe – and everyone else believes the same – that it (the institute) will be in Germany."

He admitted the summer EC currency crisis had placed "a tremendous question mark" over whether the EC would accomplish the Maastricht timetable for Emu by 1997 or, at the latest, 1999.

After the emergency move in August to wider EC currency fluctuation bands, he said the EC was unlikely to decide a firm date for returning to the previous narrow bands within the European Monetary System. "We don't want to be trapped by dates."

But he refused to endorse recent claims by Mr John Major, the UK prime minister, that the Maastricht timetable was now unrealistic.

Mr González spoke out against softening the Maastricht "convergence" targets designed to force EC states to curb budget deficits and government debt as conditions for joining Emu.

Although he admitted that EC budget deficits had been swollen by recession to well above the Maastricht target of 3 per cent of gross domestic product, he said, "I doubt that anyone would want to give up on this convergence plan . . . the planned convergence targets represent a good path."

Mr González' remarks on the EMI add up to the clearest prediction so far from a Community leader that the summit on October 29 will opt for the embryonic central bank to be established in Germany. German chancellor Helmut Kohl, backed by the Bundesbank, has recently stepped up a campaign in favour of Frankfurt.

The British government is maintaining its minority view that the institute should be based in London.

The institute is meant to improve co-ordination of EC monetary policies as a fundamental part of the so-called stage two of Emu plans, taking effect in January 1994.

Frankfurt and London have been the main rival bidders for the institute for the past two years, while the Dutch government has been lobbying for Amsterdam.

France has objected to Frankfurt on the grounds that this would increase the city's edge over Paris as a financial centre but has indicated it would accept another German site such as Bonn or Mainz. Mr González said the actual name of the chosen city in Germany was a secondary consideration.

González threat on labour market, Page 2

VW agrees outline plan for Seat plant

By Peter Bruce in Madrid and Christopher Parkes in Frankfurt

SPANISH political leaders and Volkswagen, the German automotive group, reached broad agreement yesterday on a plan for VW to rid itself of the Barcelona factory of its lossmaking Seat subsidiary, while protecting the Madrid government from the political fallout of heavy job losses in Catalonia.

Further talks will be held soon, to include union leaders, to decide the fate of the outdated Zona Franca works and the 10,500 employed on the site, VW said last night. A solution is expected before the end of the year.

Ideas proposed yesterday are believed to include converting the factory into an industrial park and establishing a state-owned employment company to deal with those who lose their jobs.

The outline deal was agreed during talks in Madrid and Barcelona led by Mr Ferdinand Piëch, VW group chairman, Mr Narcis Serra, deputy prime minister, and Mr Jordi Pujol, leader of the Catalonian government.

The centrepiece of the agreement was a significant relaxation of the conditions under which Seat is to be given a DM1.5bn ($920m) emergency cash injection. Ownership of the Spanish company's Pamplona factory, used exclusively to build VW Polo models, will not now be transferred to the German parent.

Although operations will be "steered" by VW, it will remain under Spanish management. "It is not really a matter of ownership, it is more a question of improving competitiveness," a spokesman said.

In response to rumours that VW was intent on seizing management control of Seat after the resignation last week of Mr Juan Antonio Díaz Alvarez, the chairman, the Spanish government proclaimed that Seat would remain independent, running its own purchasing, sales and design operations.

Mr Díaz Alvarez quit abruptly after the VW group board rejected as "too soft" his plans for rationalising Seat, which included the loss of at least 5,000

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Commission probes state aid to Bull

By Andrew Hill in Brussels and John Ridding in Paris

THE European Commission yesterday announced that it had opened a state aid inquiry into a FFr2.5bn ($440m) capital injection granted to the French state-owned Bull computers group.

The inquiry will focus on the cash which was advanced to Bull by the previous French government in February. But it could be extended to take into account subsidies included in a restructuring package presently being finalised by Bull.

The French Industry Ministry said that the plan, aimed at stemming losses of FFr15bn at Bull over the past three years, should be completed within the next week. Bull has demanded a capital injection of FFr9.2bn as part of the plan.

A spokesman for Mr Karel Van Miert, the EC's competition commissioner, said yesterday that the Commission's latest inquiry would consider any new restructuring proposal once it was submitted.

"We are looking only at the FFr2.5bn at the moment, because that's the only advance which has been made by the French government," said the spokesman. Under the EC's state aid rules, the Commission can clear subsidies which are aimed at restoring the viability of a company, provided they do not distort competition within the EC.

It is the second time in the past two years that Brussels has investigated state subsidies to the troubled French computer group. In July last year, the Commission approved FFr6.6bn of government aid to Bull aimed at funding research and returning the group to profitability.

French officials say they are optimistic that the EC will regard favourably its proposals to restructure the computer group. They describe the proposals as a necessary and final step in the group's reorganisation.

The restructuring package, which has been under negotiation since the new centre-right government of Mr Edouard Balladur took office in March, is expected to include 6,500 job cuts, a reorganisation of the company's management and the formation of strategic alliances with other groups.

It may also involve an increased participation in Bull's share capital by NEC, the Japanese computer group, and IBM of the US. The two companies presently hold stakes of 4.4 per cent and 5.7 per cent respectively.

Reuter

Moslems fleeing their homes in the town of Visoko, central Bosnia, yesterday amid renewed fighting between the three ethnic groups

Swedish growth of 2 per cent predicted

By Christopher Brown-Humes in Stockholm

SWEDEN is moving firmly into a recovery phase and its economy can be expected to grow by around 2 per cent next year, Mr Bengt Dennis, the central bank governor, said in a speech yesterday. Growth from 1995 onwards ought to be even higher, he stated.

He said domestic demand, which has fallen sharply over the last three years, could be expected to stabilise in 1994. "Combined with rapidly growing exports, this ought to produce a noticeable change in the development of the economy," he added.

Mr Dennis noted that short-term interest rates were at their lowest levels for 14 years and long-term interest rates back to 1974 levels.

He ruled out any drastic cuts in the bank's key marginal rate, which has fallen from 12.5 per cent to 8 per cent since last year. He drew attention to the weakening of the krona and rise in long-term interest rates during recent weeks, which he said could be blamed on uncertainty over Sweden's future economic policy.

Mitterrand risks Paris split on N-weapons tests

By David Buchen in Paris

PRESIDENT François Mitterrand said yesterday that France and other atomic powers should "keep their cool" and refrain from following Beijing in breaking the recent unofficial moratorium in nuclear weapons testing.

The president, in an interview with Austrian media, went beyond a bland statement issued jointly with Prime Minister Edouard Balladur which merely said France would consult with the US, Britain and Russia about possible reaction to the Chinese move.

The Socialist president has thus risked a split with the conservative government which is under strong pressure from its parliamentary majority and the defence establishment to reverse the unilateral moratorium which the preceding Socialist government imposed on French testing in the South Pacific in April 1992.

Mr Jacques Baumel, Gaullist vice-president of the National Assembly defence committee, said yesterday the Chinese move was "a new and good reason" for France to resume necessary modernisation of its nuclear arsenal.

This week Mr Balladur, who has committed his government to keeping France's nuclear deterrent up to date, received a report which he had commissioned earlier from France's military-industrial leaders on the issue of nuclear testing.

Though confidential, the report is said to favour France resuming at least a few tests until it has improved its ability to simulate nuclear tests results by computer.

The issue of nuclear testing falls in the area of foreign and defence policy where decisions have to be shared by French presidents and prime minister even when they are of different political parties.

Mr Mitterrand conceded that the reaction of other nuclear powers would be important when he said that if "countries other than China" resumed testing, France would have to follow suit.

France to reform state-run pensions

By Alice Rawsthorn in Paris

THE French government has started to prepare proposals for its long-awaited reform of the pension system with a view to presenting a legislative package to parliament next spring.

Mr Edmond Alphandéry, economy minister, has formed a working party to produce provisional proposals for reform of the existing state-controlled system.

At present the working party is operating on an informal basis. However, Mr Alphandéry hopes to have finalised the details of the package by the end of the year.

Pension reform is one of the most pressing and complex issues on the French government's financial agenda.

The system worked well in the 1950s and 1960s when France had a large, young working population. But it now faces collapse as the population has aged and a proportionally smaller group of workers struggles to support a growing number of pensioners. Mr Alphandéry is said to be determined to change the system.

FIGHTING FLARES ON SEVERAL BOSNIA FRONTS

A RENEWED United Nations peacekeeping mandate for former Yugoslavia began on a bleak note yesterday, with Moslems, Serbs and Croats renewing their struggle for territory in Bosnia, Reuter reports from Sarajevo.

As Serbs and Croats said they would make no more territorial concessions to the Moslems, all three sides reported flare-ups on several fronts across Bosnia. Sarajevo radio reported that Croat forces had used Moslem prisoners as "human shields" in an attempt to break through government positions in central Bosnia, killing a number of people.

The Moslem-controlled radio claimed the Croats wired explosives to the Moslems, who had been held at a Croat-run internment camp, and marched them towards the frontline at Isakovici, near Novi Travnik.

Fighting was also reported around Maglaj in north-central Bosnia, and in eastern Bosnia in the Zvornik region and Olovo, Bosnian radio said. The UN said Maglaj, a mainly Moslem town, was under its 100th day of siege by Croat and Serb forces, and Mostar's Moslem quarter was under increased Croat shelling. All sides reported some sniping and shelling in Sarajevo, and sniper fire could be heard during the morning.

BIS warning on capital curbs

Controls on the movement of money will not repair the European Community's punctured currency grid, Mr Alexandré Lamfalussy, general manager of the Basle-based Bank for International Settlements said yesterday, Reuter reports from Brussels.

"International financial integration has encompassed practically the whole world ... It would be neither desirable nor indeed technically feasible to isolate Europe from the rest of the world in this respect." Mr Lamfalussy told a hearing on money market speculation at the European Parliament.

German manufacturing orders fall

By Judy Dempsey in Berlin

MANUFACTURING orders in western Germany fell by 2 per cent in August against July and by 7.1 per cent against August last year, the economics Ministry reported yesterday. Orders for July and August together, however, were 0.5 per cent higher than in May-June, indicating "a continuation of the upward tendency observable since spring", according to the ministry.

The level of industrial orders will be watched closely in eastern Germany, where any sustained economic growth will depend on receiving orders from companies in the west. Real exports from the five eastern states are expected to rise by 5 per cent this year compared with last, but it will hardly dent the trade deficit which totals DM200bn ($123bn).

The latest figures coincide with a report by the Berlin-based DIW Institute for Economic Forecasting which sees no signs of a fall in unemployment in either western or eastern Germany. Despite adjustments for seasonal factors, the DIW expects unemployment in the west to have risen by a further 20,000 last month, bringing the total number of officially unemployed to 2.16m, or 7.2 per cent of the labour force.

In the east, the DIW says there is not yet "light at the end on the tunnel" in terms of stemming structural unemployment. However, the number of job vacancies stood at 64,000, a rise of 7,500 over the same period last year, and 40,000 remain unfilled.

Workers ready for cuts in real pay

ABOUT a third of the German workforce is ready to accept real pay cuts this year, even before the main annual negotiating rounds get under way, writes Christopher Parkes in Frankfurt. As union officials yesterday continued their campaign against employers' calls for a wages freeze, two opinion polls suggested that between 31 and 35 per cent of the working population is apparently resigned to lower incomes.

While almost 50 per cent said they were prepared to strike in support of claims for higher wages, union leaders were markedly less belligerent.

Mr Hermann Rappe, the leader of the IG Chemie chemicals industry union, said his aim was an award equal to the expected inflation rate. The unions members could not expect compensation for higher taxes and social welfare contributions, he said in a radio interview.

Most economists suggest consumer prices next year will rise 3.5 per cent.

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González pledges to win battle over labour market

By Peter Bruce, Tom Burns and David Marsh in Madrid

MR Felipe González, the Spanish prime minister, said yesterday he intends to press ahead with tough reform of the country's rigid labour market with or without agreement between employers, the unions and the government in talks that started earlier this week.

Addressing concern in financial markets that failure so far to agree on a much vaunted three-year "social pact" - designed to help drag Spain out of recession - Mr González said the pact was not an end in itself. If by the end of next month no agreement was reached on a three-year wage moderation deal, and the labour reforms the government wants, it would impose the reforms.

"I hope there will be agreement," Mr González said in his first newspaper interview since being elected to a fourth term in office last June. He said the pact was an instrument to create the conditions in which more jobs could be created, to provide competitiveness. "We obviously cannot force pay levels on employers and workers (but) if there is not a pact, the government will apply the necessary measures within its competence."

The first phase of the tripartite social pact talks ended badly last week. The three sides had been discussing pension increases, jobless benefits, civil service pay and reactivating the economy when the government, forced to present a budget to parliament by September 30, ran out of time and included its own conservative targets in the budget.

These were now the sovereign business of parliament, Mr González said, implying that it was no longer possible to discuss them with the unions.

This week the second and final phase of the talks began - on a global three-year agreement to hold wage rises below inflation, on labour market reform, including traditional forms of collective bargaining, and on introducing more flexible lay-off procedures.

Mr González said he recognised that the pact talks were "very difficult" for the unions. "We are talking about a pact with special characteristics," he said, in which the unions were being asked to make sacrifices. He said the government was trying to improve the employment situation through gains in competitiveness. "We are not saying, 'I will give you this and you will give that'. The big problem is that the government has nothing to give in exchange."

The unions have issued threats of action against the government's hard line in the talks, but are thought to be in too weak a position to hurt the government.

Court rules on equal pensions

By Norma Cohen, Investments Correspondent

THE European Court of Justice yesterday ruled that employers are not liable to pay equal pensions to men and women for any period of service before a landmark ruling in May 1990.

The judgment was issued in connection with one of four cases before the court. The court was asked to interpret its earlier ruling that pensions are effectively deferred pay and that employers may not discriminate between men and women on pay.

Yesterday, the court issued its ruling in the case of Mr Ten Oever who sued his late wife's pension scheme on the grounds that it provided survivors' benefits to widows and not to widowers. Mr Ten Oever asked the court to decide whether the scheme must also pay benefits to men. The court declared that pension schemes could not discriminate between men and women in survivor's benefits, but only in respect of service after May 17 1990.

The case decided by the court in May 1990, Barber v Guardian Royal Exchange, left key questions about pension equality unanswered, including whether employers would have to make enhanced pension payments retroactively before the judgment was issued.

European governments had argued that full retrospection for pensions could cost employers throughout the EC up to £100bn in back-payments. Until May 1990, employers in most EC countries allowed women to retire on full pensions at 60 while requiring men to work until 65 before receiving the same benefit. Thus, women had been receiving more generous pensions than men.

"The court has decided to settle the retrospection question for once and for all," said Mr Geoffrey Furlonger, head of EC practice at consulting actuaries William M Mercer Ltd.

The Ten Oever case was one of a group of cases brought before the court to try to resolve matters related to retrospection. However, the court has yet to rule on the most complicated of those cases, that of a group of former employees of Coloroll, the former UK home furnishings company now in administration.

The court must there decide how employers are to pay equal pensions despite the fact that women live longer than men and thus require more money to finance the same level of benefit. The UK insurance industry and groups of European actuaries have asked the court to consider whether life insurance companies which sell annuities to provide pensions must base their rates on "unisex" actuarial tables which ignore women's greater longevity.

No occasion for a Belgian compromise

Kingdom faces a challenge with repercussions that will be felt beyond its borders, writes **Andrew Hill**

MOST OF the time, it does not seem to matter to many people inside Belgium, let alone outside the country, what its government gets up to.

But if the country's 18-month-old centre-left coalition fails to meet the latest economic challenge to its authority, the repercussions could be felt far beyond the kingdom's borders. Government, employers and unions are trying to negotiate a "social pact" – a consensus on how to improve companies' competitiveness, reduce labour costs and create jobs.

This is not the usual search for a traditional Belgian compromise, the cornerstone of daily political life in this complex country. The last time the Belgian government set itself a similar target was in 1944. This time, the stakes are much higher.

Government forecasts indicate that if nothing is done about generous welfare payments, the country's social security deficit could rise to more than BFr70bn (£1.3bn) next year. That in turn would have repercussions for the country's national budget deficit, which was nearly 7 per cent of gross domestic product last year. It must come down to 3 per cent in 1996 if Belgium is to meet the Maastricht treaty's criteria for founder membership of a European monetary union. Public debt, meanwhile, stands at more than 120 per cent of GDP, compared with Maastricht's aim that it should be moving towards 60 per cent.

B.Franc

Source: Datastream

However, it is the short-term consequences of failure in the social pact negotiations which most frighten Belgian economists, government officials and central bankers.

They fear failure could prompt a final speculative assault on the Belgian franc, which has been under increasing pressure on the exchange markets. Since early August, when currencies of the European exchange rate mechanism were allowed to fluctuate more widely against the D-Mark, Belgium's central bank has stuck to its strict policy of shadowing the German currency. But weekly reaffirmation of this policy by the central bank has not prevented rumours circulating about possible devaluation of the Belgian franc.

"Something must come out of [the social pact negotiations], because otherwise there will be chaos on the exchange markets," says Mr Diederik Thibaut, an economist at Kredietbank in Brussels.

Even the faintest prospect of devaluation has prompted a bout of concern within the EC and in neighbouring Luxembourg, which is part of a 71-year-old currency association with Belgium. Some 40 per cent of the Grand Duchy's imports come from Germany, and Luxembourg is already examining just how much of the economic pain of devaluation it could bear before questioning the future of the currency association itself.

The weakness of the Belgian currency is also worrying senior Commission officials, because depreciation would undermine the central core of currencies which surround the D-Mark, and cast further doubt on the timetable for European economic and monetary union.

> Many fear the consequences of failure in the social pact negotiations would be a final speculative assault on the franc

Belgium's recent history on budget negotiations only adds to outsiders' concerns about the social pact negotiations. When the government was forced to find a further BFr110bn to prop up the country's public finances in March, Mr Jean-Luc Dehaene, Belgium's pugnacious prime minister, had to offer his resignation – formally rejected by the late king – to persuade the coalition partners of the seriousness of the matter.

Dehaene: warning

On this occasion, however, the Belgian government believes that the sheer weight of responsibility – at a time when Belgium holds the presidency of the EC – will be enough to prevent the negotiations breaking down.

The biggest taboo which government, unions and employers will have to confront is the future of Belgium's system of wage indexation, which pegs wage increases to price increases. Scrapping the system altogether would be politically impossible for the socialist members of the coalition. But it is clear to all economists that if Belgium is to regain a competitive advantage the mechanism will have to be amended.

Possible solutions to the problem include freezing the indexation process, or removing from the price index items such as tobacco, alcohol and fuel. The latter proposal – which already seems to have some support from the French-speaking socialist coalition members – would avoid the benefit of new indirect taxes being undercut by an increase in inflation and, consequently, wages.

The government is confident that if a social pact is achieved, it can meet the Maastricht targets on the budget deficit and do enough to convince its EC partners that Belgium would be a worthy member of a currency union. And Mr Dehaene, already a veteran of several hard-fought compromises, has already warned that, if the negotiations fail, the government will act on its own to tackle the problem of labour costs, unemployment and the looming deficit.

Polish coal accord

By Christopher Bobinski in Warsaw

POLISH miners yesterday ended their occupation of coal-mining industry management offices in Silesia after winning promises of redundancy settlements twice as generous as those enjoyed by the country's remaining 2.7m unemployed.

The coal industry is facing the prospect of reducing its workforce from 320,000 to 200,000 by the end of the century, and the agreement will serve as a benchmark for other workers in heavy industry.

The 2,500 miners at the loss-making Zory pit, which is to close by the end of next year, also went back to work yesterday after a two-week strike called after redundancy notices were served on the first of 500 men to lose their jobs this year.

Under the agreement signed between coal industry management and the unions, miners made redundant as a result of closures will be entitled to 24 months of pay at half basic rates but not less than 3m zlotys (£100) a month. At present, normal unemployment benefit amounting to 1.4m zlotys a month runs for only one year.

Inflation rate edges down in Greece

By Kerin Hope in Athens

GREECE'S year-on-year inflation rate declined to 12.8 per cent in September, reaching its lowest level in the past decade, according to the official statistical service.

The September rate was down from 14.6 per cent in August, the sharpest monthly drop this year. It reflects both the government's success in holding down price increases and the effects of continuing recession.

The statistical service noted that lower prices for fruit and vegetables, which account for a sizeable portion of household spending in Greece, and a freeze on fees at private schools contributed to the decline.

It predicted that year-on-year inflation would drop to 11.5 per cent by December, below the economy ministry's latest forecast of 12 per cent. However, this would still be more than three times the average rate in the rest of the European Community.

Containing inflation has been a priority under the Conservative government's stabilisation programme.

The opposition Socialists are committed to a similar policy if they win Sunday's general election.

Senate delay on Somalia averts clash with Clinton

By Jurek Martin in Washington

PRESIDENT Bill Clinton avoided an immediate confrontation with Congress over US policy in Somalia yesterday, when the Senate agreed to postpone by at least a week a vote that could have led to a cut-off in funds for the operation.

Senator George Mitchell, the majority leader, made it clear the delay was designed to give the president more time to resolve the administration debate on the next moves in Somalia. This entered its second day yesterday as Mr Clinton set aside domestic policy for the moment.

Outside the White House political pressure continued to grow, with members of Congress demanding either that US troops be withdrawn forthwith or that the president come up with a clear statement of policy goals.

The debate cut across party lines. A letter signed by 65 Republican congressmen demanded an early withdrawal, but Senator Bob Dole, the Republican minority leader, argued that "this is not a time for panic".

Democrats were similarly divided. Senator Paul Simon of Illinois, while criticising the administration's fixation with getting rid of General Mohammed Farah Aideed, the Somali factional leader, argued that the wrong global signals would be sent by a premature US retreat.

Congressman Robert Torricelli of New Jersey, appearing on the same TV programme, contended that after the Gulf war nobody could suggest that US credibility was an issue. He said the US should declare a victory and get out.

Opinion polls have also shown little enthusiasm for a long US stay in Somalia following last week's costly military assault on Gen Aideed's positions in south Mogadishu. Approximately two-thirds of those questioned in two surveys favoured an early withdrawal, though a majority in one believed US forces should continue to try to punish Gen Aideed.

Both houses of congress last month passed resolutions which, though non-binding, assume greater significance in the current heat of the debate. They require Mr Clinton to lay out by October 15 the details of his Somali policy prior to a possible vote by November 15 either to endorse a continuing mission or to force a withdrawal.

There is genuine concern in the administration not to lose the initiative on the main domestic legislative agenda – specifically healthcare reform, which had been proceeding quite well, and the North American Free Trade Area, where an uphill battle has been joined.

● The US yesterday reduced its UN arrears with a payment of $533m (£352.9m), including $300m for peacekeeping.

This still leaves the US debt of $472m for the regular budget and for peace-keeping. Member states' total arrears were put at $1.7bn, including $1.2bn for peacekeeping.

Pension fund in trade credit link

By Nancy Dunne in Washington

THE US Export-Import Bank and the New York City Police Pension Fund have agreed on a novel course of export financing which will make available trade credits to help small and medium-sized companies sell abroad.

The pension fund is to finance a $30m (£19.8m) line of credit, to be administered by the two-year-old New York State Export Finance Programme, for working capital loans of $25,000-$2.5m for proposed export projects.

The loans will be approved and guaranteed by Eximbank.

Mr Alfred Daibock, director of the New York programme, said the scheme "addresses the real need [for export finance] right smack in the middle". The need was for an agency which would work with exporters and banks and conduct the labour intensive work, which banks found insufficiently profitable.

The export finance programme does not need to make a profit, but it expects to give good returns to the pension fund investors and break even itself in the next 12-18 months.

Efforts have been under way for some time to utilise pension funds in trade development schemes.

Ms Elizabeth Holtzman, New York City Comptroller and adviser to the city's $47bn pension funds, said that it was the first use of such funds to revitalise New York's manufacturing sector and create new jobs.

Mr Ken Brody, Eximbank's chairman and a former investment banker with Goldman Sachs, said the programme, which was initiated before he joined Eximbank, would serve as a model for other federal and city efforts.

"It increases the amount of financing available for exporters, helps the local economy and allows pension funds to obtain a good rate of return on their investments at minimal risk," he said.

The $30m in financing may ultimately underwrite as much as $100m in overseas sales.

Bermuda keeps faith with UBP

By Andrew Jack in Hamilton, Bermuda

BERMUDA'S ruling party was re-elected on Tuesday night with a majority of just four seats, retaining the grip on power it has enjoyed since the British dependent territory became self-governing in 1968.

The United Bermuda party won 22 of the 40 seats in the island's House of Assembly, against 23 seats in the last election in 1989. The Progressive Labour party took all the remainder, with an independent incumbent and the only member of the country's National Liberal party losing their seats.

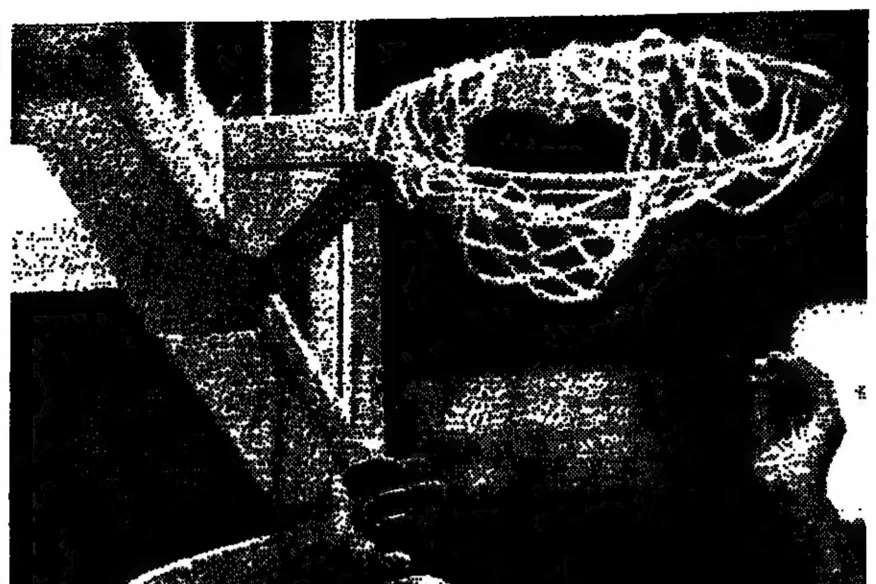
The UBP's share of the vote remained unchanged at 50 per cent, but two of its cabinet ministers lost their seats; Sir John Sharpe, minister of delegated affairs and a former premier, and Mr Gerald Simons, the environment minister.

The election was fought against a backdrop of anxiety that a PLP victory would threaten the island's future as an offshore centre. The opposition had pledged accelerated "Bermudianisation," but said it would do nothing to harm international business.

Local issues dominated the campaign, particularly the future of the US Navy's air base on the island, which Washington has threatened to close as part of its defence cuts. Sir John Swan, the premier, said yesterday that with his new mandate he was re-opening talks with the US and would also be holding discussions with European Community and Canadian officials.

The PLP, which draws its support predominantly from Bermuda's majority black population and blue-collar voters, saw its share of the vote rise from 37 per cent to 46 per cent in spite of a UBP campaign which questioned the opposition's ability to govern. Mr Frederick Wade, leader of the PLP, said: "We accept the result. Bermuda has spoken. We intend to be on the case."

In spite of heavy rain during much of the day, voter turnout rose to 78 per cent, up from 74 per cent in 1989.



Michael Jordan: Desire has deserted the world's best-known sportsman Reuter

Jordan calls time on a high-flying career

By Jurek Martin

PORK bellies may not have moved much yesterday on the Chicago commodity exchanges, but there was news out of the second city that can be said to have wobbled the Sears Tower and the nation, at least momentarily.

Michael Jordan, by any yardstick the world's best-known sportsman, who played basketball for a very large living, quit the sport at the age of 30.

Jordan broke the news late on Tuesday. "The desire has gone," he told some local reporters, who thought their big story of the night was the opening of the baseball playoffs. At his press conference yesterday he said the same thing repeatedly. He had been thinking of retiring for at least a year, even before he led the Chicago Bulls to a third consecutive championship and propelled himself far into the air for a seventh consecutive scoring title. Last year he also won his second Olympic gold medal.

He had talked about quitting with his father, who was murdered in North Carolina last July. "At least he got to see my last basketball game," Jordan said. Investigations into his passion for gambling at casinos and on the golf course were not material, he said.

But he could not depart without some cracks at press hounding of public figures.

Just as, in 1962, a certain politician had declared (wrongly as it transpired) that "you won't have Richard Nixon to kick around any more," so Jordan told his audience pointedly: "Hopefully I won't be seeing too many of you guys in the future." If that message was not received, he added: "Stay away from my house."

Jordan's reputation has probably only been matched in modern sporting history by Pele, the Brazilian soccer legend. But it was only partly based on his unquestioned sporting prowess, substantial though this was. Along with Earvin "Magic" Johnson and Larry Bird – both retired in the last two years, the first after declaring he was HIV positive, the second suffering the effects of age and chronic injury – Jordan made the 1980s a golden age for basketball, no longer primarily an American inner-city game.

His visibility made him the most successful television advertising salesman for commercial products around the world. According to Forbes magazine, his income from promoting Nike shoes, McDonald's hamburgers, Wilson sporting goods, Gatorade soft drinks and Sara Lee confectionery earned him about $32m (£21.1m) last year, far more than the $3.9m he picked up from shooting a basketball.

His loss will be felt hardest in Chicago, which had been unaccustomed to sporting success. The two local baseball teams, the Cubs and the White Sox, have not won a World Series since 1908 and 1917 respectively. The White Sox lost their opening playoff game on Tuesday, after Mr Jordan had thrown the ceremonial opening pitch.

There was hope in Chicago, and elsewhere, yesterday that his retirement would not be permanent, not least because quitting at the peak is uncommon in professional sport. Asked the inevitable question, Jordan merely replied: "I don't believe in never."

Cross-party support for rival US health plan

By George Graham in Washington

A GROUP of conservative Democrats and centrist Republicans joined forces yesterday to present an alternative plan for reforming the US healthcare system.

Some supporters believe the plan could prove to be the principal rival to President Bill Clinton's health programme.

The group, led by Congressman Jim Cooper, a Tennessee Democrat, and Congressman Fred Grandy, a Republican from Iowa, backs some of Mr Clinton's proposals but wants a bigger role for the market and a reduced role for the state.

The Cooper-Grandy scheme, like the Clinton plan, embraces the "managed competition" concept introduced by academic economists as a way of improving the healthcare market by grouping consumers in alliances.

Unlike the Clinton plan, which would compel employers to provide health insurance for their workers and pay for 80 per cent of the premiums, it relies on a more voluntary approach.

"We object to employer mandates, global budgets, price controls, restrictive regulatory purchasing co-operatives, excessive state flexibility and the continuation of the unlimited corporate tax deductibility for health benefits," Mr Cooper said.

Critics charge, however, that without some form of compulsion no reform plan can achieve universal coverage, a key selling point of Mr Clinton's plan and an increasingly popular guarantee.

Mr Cooper and Mr Grandy, backed by 44 colleagues from both parties, would offer a standard package of healthcare benefits, and would pay for their reforms principally by stopping companies from deducting from their taxable income the cost of health coverage exceeding this standard.

The Congressional Budget Office has estimated that this kind of limit on deductibility could increase tax revenues by about $113bn (£74.8bn) over five years, and would also add to market pressure for slower increases in medical costs.

The Clinton administration has repeatedly said it is open to suggestions on changing its plan, which is still a long way from satisfying most members of Congress.

Criticism has focused on the administration's estimates of future cost savings, essential to pay for an expansion in the sorts of healthcare coverage provided, and on subsidies to small businesses, which will now be obliged to offer health insurance to their workforce.

Matsushita venture lifts China profile

By Michiyo Nakamoto in Tokyo

THE race among Japanese companies to win a larger share of the Chinese market is heating up.

An expected investment of Y10bn (£62.5m) by Matsushita, the consumer electronics group, in a Chinese joint venture to manufacture components for video cassette recorders for the Chinese market will be the largest yet for a Japanese company there.

The deal, which could be officially agreed next month, follows Matsushita's decision in September to set up a wholly owned company in Xiamen to produce audio equipment.

Matsushita exports about 10,000 VCRs a month to China but aims to manufacture 1.5m units a year there by the end of 1994. The company already has a manufacturing facility for colour TV tubes in Beijing and for black and white TV tubes in Shanghai.

In the audio market, Matsushita is shifting production of cassette players and clock-equipped radios for the Chinese market from South-east Asia to the Xiamen economic zone. Although future products from China could be exported, the company believes production will just meet Chinese demand for the foreseeable future.

Sanyo, the electronics group, is also investing in a Chinese joint venture company to manufacture and supply commercial refrigeration equipment. Sanyo has the largest share of the Japanese market for refrigerated display cases.

The group will have a 55 per cent stake in the new venture, with China Dalian Refrigeration holding 40 per cent and Nissho Iwai, the Japanese trading house, 5 per cent. It will be Sanyo's 12th manufacturing facility in China.

The new company will begin operating in Dalian late next year with initial production of 500 units, rising to about 12,000 annually within seven years. China's market for supermarket showcases is estimated at 4,000 units this year, but is expected to grow rapidly.

US economists attack 'myopic' trade calls

By David Dodwell, World Trade Editor

JAPAN should reject "misguided" American demands for managed trade and "myopic" calls for a cut in its bilateral trade surplus, according to a group of leading US economists.

In an open letter to President Bill Clinton and Mr Morihiro Hosokawa, Japan's prime minister, the economists attacked administration demands that Japan should lower its trade surplus with the US, which is expected to rise to about $60bn (£39.7bn) this year.

"It is myopic for the US to create the impression that Japan's surplus is harmful, when its own past profligacy and current budgetary deficit have crippled its ability to finance its own needs, much less those of the rest of the world," the letter said.

It was signed by 25 economists including Nobel-laureates Mr Lawrence Klein, Mr Franco Modigliani, Mr Paul Samuelson, Mr Robert Solow, and Mr James Tobin, along with Mr Paul Krugman at the Massachusetts Institute of Technology, Mr Jagdish Bhagwati at Colombia University, Mr Jeffrey Sachs at Harvard, Mr John Makin at the American Enterprise Institute, and Mr Gary Saxonhouse at Michigan University.

On managed trade the group attacked "the crude and simplistic view that Japan is importing too few manufactures owing to 'structural barriers' which make Japan special".

"The world needs more market-based trade, governed by internationally agreed rules, not targets set by bureaucrats, politicians and self-interested complainants from industry."

Where there were legitimate complaints about access to Japan's market, they should be resolved in the "neutral and impartial" context of Gatt.

Judge delays Brazilian reforms

By Angus Foster in São Paulo

BRAZIL'S constitutional revision process got off to a shaky start yesterday when an opening ceremony was delayed by a court order.

The preliminary order, issued by a Supreme Court judge apparently without consulting his 10 colleagues, effectively annulled a session of Congress last month which had discussed the date for the reform process to begin. The judge ruled the session was opened without a necessary quorum and issued the order even though the actual vote on starting the revision took place at a later session, properly convened.

The judge's decision was greeted with surprise. It is likely to delay rather than threaten the revision, required to take effect five years after the constitution was approved on October 5 1988. Members of Congress were trying yesterday to have the decision overturned immediately.

However, the incident showed the capacity for stalling tactics from groups opposed to the process, such as left-wing politicians, trade unions and church groups, who filed the request for the session to be annulled.

These groups fear the reform threatens social rights guaranteed in the constitution. The government and business leaders see change as vital to solving some of Brazil's economic problems and to allow further liberalisation of the economy.

If the judge's ruling is not overturned immediately, Congress can possibly seek a full hearing of the Supreme Court or convene a new series of meetings to agree on a new date for the process to begin. Either course is likely to take some weeks.

Many politicians want to complete the revision this year to keep it separate from next year's elections.

Tokyo takes tougher line with Beijing

By Robert Thomson in Tokyo

WHEN Mr Morihiro Hosokawa, Japan's new prime minister, starts talking about China, some bureaucrats in Tokyo hold their breath, wondering if the self-consciously candid leader will offend the Chinese government.

On hearing that China had resumed nuclear testing on Tuesday, Mr Hosokawa was particularly blunt, unlike past prime ministers from the Liberal Democratic party, saying: "It can only be described in the words 'very regrettable'."

One senior Japanese official emphasised the prime minister was "not reading a statement" when he criticised the Chinese action, implying that the prime minister had picked the words himself and had chosen to inject drama into the delivery.

Japan has not altered direction on China policy, but the changes in style introduced by Mr Hosokawa and his seven-party coalition mean that the government is apparently taking a tougher public line on Chinese nuclear tests, weapons exports and human rights abuses.

Last week Mr Tsutomu Hata, foreign minister, told his Chinese counterpart, Mr Qian Qichen, during a meeting in New York that Tokyo is watching China's arms export policy very closely and warned him that Japan opposed a resumption of nuclear testing.

Morihiro Hosokawa: Nuclear test 'very regrettable'

China is accustomed to hearing these warnings from the US government, and while they are not necessarily new Japanese policies, Beijing officials have noted that the Hosokawa government is far more willing to make clear its concerns about Chinese policies.

A separate incident last week gave the Chinese government the impression that the climate had changed in Tokyo. After several days of bickering, the Chinese delegation to the Tokyo International Film Festival stormed back to Beijing because their Japanese hosts planned to screen two "unauthorised" Chinese films.

The films – one called Blue Kite, a painstaking but unflattering profile of Chinese life in the 1950s and 1960s, and the other a rough-and-ready portrait of Beijing youth, Beijing Bastards – were unauthorised because they are still at the centre of an ideological argument in China.

In the past, the fear of offending the Chinese government would have tempted organisers to shelve the screenings, but they went ahead, and Blue Kite won the grand prize at the festival, causing more embarrassment in Beijing.

The coming of the Hosokawa coalition has not slowed the economic exchanges. The prime minister yesterday met a delegation from Dalian, the northern Chinese port city, which launched a trade fair in Tokyo to sell its suitability as an investment site.

Japanese electronics companies apparently need little convincing. Sanyo announced yesterday that it will establish a joint venture in Dalian to manufacture commercial refrigeration equipment and Matsushita is planning to produce video cassette recorders in the Chinese city.

Australia seeks a bargain at work

Nikki Tait on planned labour reforms expected to provoke an outcry

AUSTRALIA'S Labor government, re-elected last March, may think it has problems with a stalled budget, but its parliamentary battles could just be starting.

For next on the agenda is labour market reform legislation, and a deal negotiated this week between the government of prime minister Paul Keating and the nation's trade unions seems certain to provoke maximum outcry.

Full details of the industrial relations reform package have not been made public yet. The government-union agreement – reached late on Tuesday – still requires formal ratification by the Australian Council of Trade Unions, which it will probably get tomorrow. On the government's side, Mr Laurie Brereton, the industrial relations minister, has yet to sell the proposals to his own Labor party caucus.

But assuming no big obstacles emerge in either case, the substance of the package is fairly clear – so much so that employers' organisations are already limbering up for the fight.

"This is 95 per cent an ACTU agenda, 5 per cent a government agenda and zero per cent an employer agenda," said the Australian Chamber of Commerce and Industry yesterday.

The package will almost certainly contain three elements.

The first will centre on an extension of "devolved" wage bargaining at workplace level. Australian wages have long been set by a complex structure of federal and state commissions, paying little attention to individual employers' circumstances. But, as the country's protectionist tariff barriers have come down and a more "deregulated" economy has been encouraged, this system has looked increasingly untenable.

Over the past few years, therefore, Australia has been edging towards workplace-based bargaining. But the changes have been slow in coming. At present, there are only about 1,150 "enterprise" agreements, covering about 11 per cent of the workforce.

At first the government hoped to boost the use of enterprise bargaining by making it an option for the 70 per cent of private sector workers who do not belong to unions. At present, only unions may make certified enterprise agreements.

But elements within Australia's union movement – still strong but suffering from declining membership – fought a rearguard action. For months, negotiations between the ACTU and the government stalled.

What emerged this week was a compromise. Non-union workers would be able to make enterprise deals through the use of flexibility clauses incorporated into centralised wage awards. But unions would be able to object to such deals through the Australian Industrial Relations Commission, the federal arbitration body.

Employers' representatives maintain that such a set-up would be unworkable. Although unions would have no power of veto over non-union agreements, the ACCI argues that their ability to obstruct and question deals, through the AIRC, would be enough to deter employers. It is, claims Bryan Noakes, ACCI executive director in Melbourne, an "effective veto".

The second element likely to be in the reform package would be just as contentious. The government is likely to propose significant changes to sanctions against workers who take industrial action.

For a start, the right to strike would be enshrined in law and employers would lose the right to dismiss employees who engaged in industrial action. Employers who were victims of secondary action could have to wait for three days – and would need permission from the AIRC – before seeking legal redress.

Most of this would be welcome to a union movement that knows it will not have a Labor government in power for ever and is keen to get protections written into law.

The third element likely to be in the package is beefing up the protection of minimum entitlements, including wages, equal pay, parental leave and termination conditions, for all workers, and giving the AIRC an enhanced role in the process. A new federal court – the Industrial Relations Court of Australia – could also be created to take over the industrial relations jurisdiction.

These measures would be aimed in part at increasing the federal "safety net" should individual states choose to pursue more radical labour market policies. Last year, for example, a new conservative government in Victoria introduced industrial relations changes that reduced workers' entitlements and provoked a rash of labour protests.

Although the government holds sway in the House of Representatives, it needs the support of minority parties – the Green Party and the Democrats – to get legislation through the Senate.

The two Green senators are an unknown quantity but the Democrats have already raised some concerns. They have said they need to see more detail on enterprise bargaining before making a decision.

"We are going to be looking at chapter and verse of how the non-union arrangements are arrived at and none of that detail has yet been spelled out. I think it will take another month to make this legislation fit to hit the floor," their industrial relations spokesman said yesterday.

BUDGET DEADLOCK LIKELY

DEADLOCK over the Australian government's budget proposals loomed last night when opposition and minority parties in the Senate blocked an attempt to link planned income tax cuts to revenue-raising measures, Nikki Tait reports from Sydney.

The government had sought to make its proposed tax cuts for middle-income earners dependent on, and directly linked to, revenue measures mainly consisting of increases in indirect taxation. These have been strongly attacked by the opposition.

An amendment, taking out a government-inserted clause which linked the tax cuts and revenue proposals, was passed in the Senate by 39 votes to 23, after the two minority parties, the Green party and the Australian Democrats, joined the opposition coalition in supporting the change. The single Independent in the upper house, Senator Brian Harradine, sided with the opposition.

The legislation will now be referred back to the House of Representatives, which has already approved all eight budget bills. But the government has indicated it requires a link between the bills before it will implement the promised tax cuts, due to come into effect in November.

One possibility is that a parliamentary stalemate will ensue and the tax cuts be delayed, with the government hoping it can blame the opposition. Debate on the budget bills was continuing in the Senate yesterday.

Japanese wages rise kept at lowest for 34 years

By William Dawkins in Tokyo

JAPAN'S image as a high-wage society received a dent yesterday with publication of an official 1.9 per cent rise in average private sector wages for last year, the lowest growth rate in 34 years.

Some companies might even have to cut wages next year to ensure full employment if the downturn continues into the tax period starting April 1994, warned Mr Takeshi Nagano, the chairman of the Nikkeiren employers' federation.

One leading car group has been reported to be considering a cut in bonuses, while holidays on low pay are said to be under study in the electronics and steel industries. The companies involved have not confirmed their plans.

In real terms, disposable income for the average family of four rose by a mere 0.1 per cent, the smallest increase since 1982, when average income stagnated, according to the wage report, by the national tax administration agency. Last year's average private sector annual wage was Y4.55m (£28,400) before tax, said the agency.

Last year's 1.9 per cent average wage rise compares with 5 per cent in the previous year and is the third smallest since the records started in 1949.

Mr Nagano called for a Y10,000bn income tax cut by the end of this year to stimulate the economy. It had until yesterday been asking for a Y2,000bn tax cut.

Cambodia is reinstated as full member of IMF

By George Graham in Washington

THE International Monetary Fund has reinstated Cambodia as a full member and approved a \$9m (£5.9m) loan under its Systemic Transformation Facility, designed to help once centrally planned countries make the leap to a market economy.

The decision follows pledges from donor countries gathered in Washington under the chairmanship of France and Japan to pay off Cambodia's \$52m arrears to the IMF.

Cambodia took advantage of last week's annual meetings of the IMF and World Bank in Washington to complete negotiations on a \$62.7m emergency loan from the World Bank, intended to let the country finance essential imports.

A World Bank mission is to visit Cambodia next month to examine the need for infrastructure investment. But Cambodia's needs present unusual problems because of years of war.

Ex-political prisoner given top party post in Malawi

By Nicholas Young in Lilongwe

MALAWI'S ruling Congress party has appointed to the top job of secretary general Mr Gwanda Chakuamba, who served 13 years in prison on a sedition charge.

His selection after a party meeting in closed session in Lilongwe took place in the absence of President Hastings Banda, who was flown to South Africa for emergency medical treatment last weekend.

It is not yet known whether Dr Banda approved the appointment himself, or whether it was the initiative of senior party colleagues in an attempt to avert a constitutional crisis.

Under the existing constitution, if Dr Banda is disabled, executive power passes to a presidential council led by the Congress party secretary general.

This post had been vacant for 10 years. Its last occupant, Mr Dick Matenje, died in a 1983 car crash following disagreements with Dr Banda.

Israel and PLO to press on with peace talks

By Mark Nicholson in Cairo

ISRAEL and the Palestine Liberation Organisation will open talks on implementing their historic peace agreement in Egypt on October 13, Mr Yitzhak Rabin, the Israeli prime minister, and Mr Yassir Arafat, the PLO chairman, said after an unexpectedly productive mini-summit yesterday.

Mr Rabin, who said he had called for the quickly-arranged talks, described them as "constructive and positive" and a "very good beginning" to implementation of the outline peace deal signed on the White House lawns three weeks ago.

He told reporters: "We are committed to whatever we signed – but it's not enough to sign, you have to translate it through negotiation into reality."

The two leaders accordingly agreed to set up four joint negotiating committees to cover all aspects of the deal which will give limited self-rule to the Palestinians in Gaza and the West Bank. At least two of the groups will convene in Egypt, satisfying in small part a long-standing Israeli call to move elements of the peace process from Washington to the Middle East.

The agreement to begin implementation talks on October 13 follows the schedule of the outline accord signed in Washington. But the progress came as a surprise, given PLO anger over recent tough Israeli security operations against Palestinian activists in Gaza and the West Bank. PLO officials had accused Israel of "flagrant violation of the spirit" of the accord.

But while Mr Rabin declined to repeat his historic Washington handshake with Mr Arafat for the benefit of the cameras, and the leaders insisted on separate news conferences, no such bitterness was allowed to mar what Mr Rabin called simply "a working meeting".

Under yesterday's agreement, Israel and the PLO will form a joint liaison committee at ministerial level to supervise implementation of the outline peace deal.

This group will start work in Cairo next Wednesday. The same day a second joint committee will start talks in Taba, the Egyptian Red Sea resort near the Israeli border, on the Israeli military withdrawal from Gaza and Jericho. The pull-out is set to start on December 13. A third economic committee will also be established, the details and venue for which will be decided by the liaison committee.

A further series of talks will continue under the framework of the 22-month-old Washington peace talks on the powers of a Palestinian Council due for election in July and details of Palestinian "early empowerment" over a range of administrative and civic functions across the West Bank.

The separate bilateral talks between Israel and its other Arab neighbours – Jordan, Syria and Lebanon – are expected to continue in the US capital. No date has been set for the resumption of these talks since the adjournment of the 11th round last month.

Mr Arafat also suggested there was progress on the supremely contentious issue of Jerusalem's status, saying they had appointed negotiators to discuss proposals to include in the peace process the city both sides consider as their historic capital. "We agreed from my side [PLO negotiator] Faisal Husseini and someone else from the Israeli side will be appointed to deal with the issue of Jerusalem." Mr Arafat said.

But an Israeli official dismissed the notion that anyone had been detailed to deal with Jerusalem at this stage, saying the city's status was a subject only for talks on a permanent solution in more than two years' time. Where Jerusalem was concerned Israel had agreed only to "look into" PLO requests that Palestinians from the occupied territories be allowed freer access to the city. Israel currently limits the numbers of Palestinians allowed to cross from the West Bank and Gaza.

Both sides had agreed to defer the issue of Jerusalem during the secret Oslo negotiations which led up to the breakthrough agreement signed last month.

In the Cairo meeting hosted by President Hosni Mubarak, Mr Rabin resisted any ceremonials, telling reporters: "We believe the time has come to move from ceremonies, photo opportunities, handshakes, to move from that to business".

Neither did Mr Rabin offer any "confidence-building" gestures, such as the release of Palestinian detainees in Israel, which Mr Arafat was believed to have sought. Discussion of Israeli security operations in Gaza and the West Bank were also referred to the new liaison committee next week.

PLO leader Yassir Arafat looks on as President Hosni Mubarak makes a point to Israeli Prime Minister Yitzhak Rabin Reuter

'We only have weeks to agree on HK'

By Simon Holberton in Hong Kong

MR CHRIS Patten, Hong Kong's governor, said yesterday that Britain and China had "weeks rather than months" to agree on Hong Kong's political development before the legislative process would have to be set in train.

Mr Patten flies to London early next month for a cabinet meeting at which ministers will discuss the way ahead for Hong Kong.

It is expected that this meeting will decide whether to push ahead with the colony's political development without China's approval.

In opening the 1993-94 session of the Legislative Council (Legco), Hong Kong's law-making body, Mr Patten said Britain believed that a legislature which was openly and fairly elected was the best way to underpin the rule of law in the colony.

In seeking a credible legislature, "there is a point beyond which I do not believe that we could justifiably go, even in the pursuit of an agreement [with China] to which we genuinely aspire."

The governor confirmed that during the summer Britain had offered to reduce the size of the electorate able to vote in elections due in 1995, and had fallen in line with China's preferred structure for an electoral college which will choose 10 of Legco's 60 members.

Pro-democracy politicians have accused Mr Patten of a "huge climbdown" and a betrayal of his democratic agenda.

The governor ended his speech with an impassioned defence of the democratic ideal and challenged Hong Kong and its legislature to stand up for what it believed.

Britain would not be more bold in introducing democracy than Hong Kong wanted it to be.

"We cannot be bolder than you because liberty stands in the heart. When it shrivels there, nothing can save it."

During his two-hour address Mr Patten made a plea to China to separate issues relating to Hong Kong's economy from its dispute with Britain over the colony's political development.

Beijing's failure to approve a planned expansion of Hong Kong's container port would cost the colony, after 1997, an estimated HK$20bn (£1.7bn) in lost output, Mr Patten added.

Its refusal to deal with matters before the Joint Liaison Group (JLG), a Sino-British diplomatic forum negotiating the detail of Hong Kong's transfer to China, risked the colony's "vital legal and commercial relations with the outside world".

Hong Kong residents' rights to visa-free travel, the validity of air-service agreements, extradition treaties, and the rights on non-Chinese after the takeover were in limbo because of Beijing's decision not to co-operate in the JLG.

"If progress in the JLG does not speed up significantly, there is a high risk that the work will not be finished before 1997, and we will then face a legal vacuum," Mr Patten went on.

He also sought to shrug off his image as a one-issue governor, also promising more money for education, health, the arts and the environment, as well more money to fight corruption and to be used for roads to improve trade with China.

The governor also foreshadowed a government position paper on pensions and outlined a legislative programme designed to bolster consumer protection and safety at work.

He reiterated the government's forecast of a 5.5 per cent growth in output in 1993 but shaved its inflation forecast to 9 per cent from 9.5 per cent.

Clinton aid cut shocks Israelis

By David Horovitz in Jerusalem

ISRAELI officials have reacted with shock to a Clinton administration decision to cut by almost a quarter an aid package intended to help Israel finance absorption of immigrants from the former Soviet Union.

Under an arrangement reached towards the end of the Bush administration, the US agreed to grant Israel loan guarantees worth $2bn (£1.3bn) a year for five years, enabling Israel to raise funds at lower interest rates on the international market. The one condition was that the annual $2bn figure would be cut, dollar for dollar, by the sum Israel spent on settlement activity in the occupied territories.

This week, the US State Department announced that, in accordance with that penalty clause, the administration would be authorising only $1.563bn worth of loan guarantees for fiscal 1994.

This is a cut of $437m, reflecting Israeli government spending over the past year on housing, road building, education and other services for Jewish settlers in the West Bank, Gaza Strip and east Jerusalem.

Mr Avraham Shochat, Israel's finance minister, says Israel is now seeking "clarifications" of the penalty. Privately, officials say they foresaw a cut of only $100m.

Mr Yitzhak Rabin, Israel's prime minister, has greatly reduced spending on settlements since taking office. Much of the $437m figure, say officials, represents the fulfilment of contracts agreed by the previous, pro-settlement, Likud coalition.

Mr Ya'acov Frenkel, governor of the Bank of Israel, has stressed the cut will have negligible economic impact. When Israel first sought the aid package, it expected having to house an annual 200,000 new immigrants from the former Soviet Union. But immigration is running at considerably less than half that number.

Israeli officials are upset by the political implication: an apparent get-tough message from the US to Israel at a time when Mr Rabin needs Washington's full support for his sensitive negotiations with the PLO on autonomy in the occupied territories.

HK media ban 'not aimed at Malaysian'

By Simon Holberton in Hong Kong

GOVERNOR Chris Patten of Hong Kong yesterday denied that proposed legislation banning cross-media ownership was aimed at Mr Robert Kuok, the Malaysian businessman who recently bought a controlling interest in the South China Morning Post from Mr Rupert Murdoch for $349m (£230m).

The governor was responding to comments made by Dr Mahathir Mohamad, Malaysia's prime minister, who alleged that the legislation was directed at Mr Kuok, who owns 20 per cent of Television Broadcasts, Hong Kong's most popular television station.

Mr Patten said Dr Mahathir was "curiously ill-informed" about the law in Hong Kong. He said the legislation, expected to be tabled next April, would not be retrospective. "It's certainly not possible," he said. "If you start being retrospective about cross-media ownership, at what point do you begin?"

NEWS: CRISIS IN RUSSIA

Fuse burns low on unemployment time-bomb

Russia's hidden jobless rate will not remain so for long, writes John Lloyd

THE TWO largest barriers to a radical economic reform process in Russia were the parliament and fear of the effects of radicalism on employment. Only the latter remains, but it could soon be a critical problem.

Officially, unemployment is still low: around 800,000. But hidden unemployment is much higher, according to Mr Fyodor Prokopov, head of the federal employment service. Sooner or later, the part-time work ploys and unpaid "holidays" that constitute hidden unemployment will emerge as real job losses.

"The situation of hidden unemployment cannot last," says Mr Prokopov... "We have no good figures on this, but we estimate at least 3m people are in this kind of situation [holidays without pay]. Beyond that, many more are on occasional work regimes, or very part-time work. In all, we reckon between 5m and 7m would be really unemployed in normal conditions." That is 7-10 per cent of the working population even before large-scale bankruptcies begin.

The city of Ivanovsk, Russia's textile centre, which has been hit hard by a loss of market, and even more a loss of cheap raw material from Central Asia, is a case in point. Factories there have had to close or partly close – the official unemployment rate is a mere 4 per cent – in part because the region's administration has introduced a subsistence wage for people who remain on companies' books but have neither work nor pay.

"In such a region, and in others, the figure could easily and quickly reach 20 per cent or more, once the hidden unemployment becomes open," says Mr Prokopov.

The federal employment service, a creation of the past two years, is "too weak yet to assist very much", according to Mr Prokopov. Unused to working with the service, neither workers without work nor employers requiring workers inform their local employment bureaux – both still rely on the traditional word of mouth, friends or relatives.

The employment service is one of the many stepchildren of a government desperately strapped for cash and too obliged, at least until now, to subsidise enterprises to prevent their bankruptcy to spare much for a service which would cope with bankruptcy's results. It has had some assistance from the German, Canadian, British and Scandinavian governments, but a World Bank $70m loan has not been taken up because the finance ministry is struggling to keep down debt.

Perhaps because of the reluctance of the government to move, labour militancy is very low. Mr Igor Yourgens, first deputy president of the General Confederation of Trade Unions (the branch of the old official unions which groups all the former Soviet era republican unions) says "people have their heads down. The government has a clear field for action. Not only is the parliament gone but unions cannot stimulate militancy in members".

However, this may change slowly. One of the many decrees passed after parliament was banned removed the unions' responsibility to administer the social security system, one of their largest tasks. The intention was to start creating a system clearly run by the state. The other effect may be to make the unions more independent of a state on which they have traditionally depended, and create a far more combative relationship.

The spectre of unemployment concerns more than a few Russian officials. Last month, the Centre for the Study of Financial Innovation, a new UK think-tank, called for a $10bn safety net to cushion the effects of mass unemployment – which it estimated would rise to 10m-11m – to allow benefit to be paid at the rate of around Rbs16,000-Rbs17,000 (about $180) a month, less than half the average wage.

It remains the most feared threat: yet it is an inescapable companion of reform. Once the present government drafts its economic programme, and Mr Boris Fyodorov, deputy finance minister, presents his budget which will now have no parliamentary opposition to countermand it, we will be able to see how real the threat is.

Reuter

Moscow workmen dismantle barricades yesterday near the parliament. The capital was quiet after a second night of curfew

Moscow hints it may breach troop cuts treaty

By David White, Defence Correspondent

RUSSIA has issued a veiled threat that it will breach the terms of the Conventional Armed Forces in Europe (CFE) disarmament treaty unless it is allowed to raise the ceilings on its forces in the Caucasus region. President Boris Yeltsin wrote to leaders of several Nato states last month seeking to change the accord, but this is being firmly resisted.

The initiative is seen as part of Mr Yeltsin's recent campaign to win the favour of the senior Russian military establishment.

The CFE treaty, cutting holdings of tanks, armoured vehicles, artillery, helicopters and aircraft in Europe, was signed in 1990 when the Warsaw Pact and the Soviet Union were both intact. Russia and other former Soviet republics agreed on how to share out the cuts at a summit in Tashkent in May last year. But Russia now sees this arrangement as having left it too weakly armed on its southern flank.

Diplomats at Nato said the Russians had not gone so far as to threaten withdrawal, but had warned that they might resort to measures outside the treaty. This was seen as implying that they might move equipment beyond the limits set in the treaty. Turkey, the Nato member which would be most affected, has asked allies to oppose the moving of additional Russian forces.

Russia raised the issue earlier at the Joint Consultative Group which meets in Vienna to oversee implementation of the CFE treaty.

A breach of the treaty would be taken "very seriously" by allies, diplomats said. Nato would try instead to persuade Russia to make use of the treaty's flexibility over forces in the "flank zone", which includes Russia's North Caucasus military district. The treaty, they said, gave it leeway to move equipment to the Caucasus from the Leningrad district, also part of the flank zone.

They added that Russia did not, in any case, have to meet its ceilings until November 1995, the deadline for full implementation of the treaty. "They have two years to do whatever they want in the Caucasus," one commented.

Nato opposes an amendment to the treaty because it fears that would prompt demands for changes from other countries, undermining the whole accord.

● Poland has told Colonel Vladimir Lomakin, the Russian military attaché in Warsaw, to leave because of "activities incompatible with his status as a diplomat", the Polish Press Agency said yesterday.

Defence Ministry officials in Warsaw refused to confirm that Col Lomakin's opposite number in Moscow, General Roman Harmoza, had also been expelled, saying he had been recalled to Warsaw for "consultations".

Foreigners still nervous about business climate

By Gillian Tett and Leyla Boulton in Moscow

IF RUSSIAN reformers are wondering how western business reacted to this week's bloodshed, they could take some comfort from the Moscow manager of Perestroika, a Russian-US joint venture construction company.

Yesterday morning, Mr Peter Degermark wrote to Moscow's deputy mayor congratulating him on suppressing the rebels – a victory he believes will open the way for more western business in Russia.

But though his relief at President Boris Yeltsin's victory was echoed across the business community in Moscow yesterday, western businesses remain far from ready to rush into Russia.

Though Mr Yeltsin has ended the paralysis between the parliament and government, sorting out the relationship between the regions and the centre will be as crucial for investment, western businesses say.

There are fears badly needed laws could be delayed

In spite of Mr Yeltsin's latest economic decrees, scepticism remains about how fast he can turn his rhetoric into consistent legislation.

For the moment at least, most businesses are still nervously assessing the aftermath of the turmoil.

Mr Jean Yves-Durel, eastern European regional sales representative for General Electric, said although he had been "very afraid" on Sunday that a victory for Mr Ruslan Khasbulatov would have "pushed them back" and created a climate hostile to western investment, GE was now pressing ahead, convinced that "Russia is a huge market for the year 2000".

Mr George Reese, Moscow manager of Ernst and Young echoed the optimism, pointing out that dissolution of parliament had removed the key obstacles to business reform.

But the business community is aware Mr Yeltsin has repeatedly frittered away opportunities. And with parliament, the main law-making body, now suspended, there are fears that badly needed laws on taxation and investment could again be delayed, or introduced by presidential decree in the interim, and then amended by any future parliament.

"We just don't know what the situation with laws is now that there is no parliament," says Mr Anders Morland, resident manager of Amoco, the US oil group. "Until you have the legislation in place you can't expect major investment." Mr Morland predicts it will be at least another year before there is any large-scale investment by oil and gas companies.

One group that has, ironically, benefited inadvertently from events has been foreign banks. Days before parliament was dissolved the banks were due to debate a plan to ban foreign-owned banks in Russia from taking deposits from Russian customers from next January to 1996.

But Mr Sergei Yegorov, head of the Russian Bankers' Union, suggested on Tuesday that although Russian banks needed protection from foreign competition there was little point in reversing the terms of licences already given to foreign banks as parliament had demanded.

Nevertheless, Mr Jurgen Wöller, representative of Dresdner Bank, which has recently opened a joint subsidiary with Banque Nationale de Paris in St Petersburg, insists that reforming the banking law is a priority. Meanwhile, as Mr Hans Jochum Horn, Moscow director of Arthur Andersen, the accountancy firm, points out, a clearer monetary framework is also essential.

The other great challenge for the Yeltsin government, Mr Horn notes, will be sorting out the relationship between regions and centre.

With the regions increasingly independent – and in some areas, significantly more reformist – threats by Mr Yeltsin to impose greater control over the regions are viewed with concern.

Mr Gerald Presky, representative of John Brown and Davy Metals, said: "It will be difficult to bring the regions back into the fold – it would not be good for investors." John Brown has a clutch of projects in the regions and has found, he says, that local officials are often far more open to investors than central government.

Irish PM appeals for patience on peace initiative

By Tim Coone

MR ALBERT Reynolds, the Irish prime minister, appealed yesterday for "restraint and patience" towards the nationalist peace initiative from Northern Ireland, but affirmed his government is involved in the efforts to bring about an end to the military campaigns of the IRA and Loyalist paramilitaries in the province.

Answering questions in the Dail (Irish parliament), he quoted the recent joint statement by Mr John Hume, leader of the Social Democratic and Labour Party, and Mr Gerry Adams, Sinn Fein leader. He said: "It is pretty clear that it is a peace process we are talking about . . . we are engaged in trying to find a formula for peace".

On the talks between Mr Hume and Mr Adams, Mr Reynolds said: "I was fully aware of the objectives of those talks but not of the detail".

He and Mr Dick Spring, foreign minister, are to be told those details in a full briefing from Mr Hume later today, and will consider the proposals that Mr Hume and Mr Adams have formulated.

Mr Reynolds said Loyalist paramilitaries in Northern Ireland have declared their violence to be reactive to that of the IRA, and that if the IRA stops its campaign then the Loyalists would stop theirs. "The logical response to that is that one should be trying to get a cessation of violence on one side, to achieve a cessation on the other," he said.

Mr Hume and Mr Adams have been holding bilateral talks since last April, which Mr Hume has stated are aimed at achieving a "total cessation of all violence".

Mr Reynolds attempted to damp expectations that there would be a prompt publication of the proposals or that a breakthrough is about to be made. He said "I want to ask for restraint and patience from this House and the public in general. There is no overnight solution . . . I don't think that making every detail public would be helpful to achieving a settlement".

He has a meeting scheduled with Mr John Major, the British prime minister, before the end of the year, "and if a further meeting becomes necessary before then, then I shall seek one".

The UK government's Northern Ireland Office said last night: "The way forward as we see it is to get the [round-table] talks going again, and if any document is presented to us by the Irish government then we will consider it".

Pressed by opposition leaders as to whether the Irish government is prepared to amend its constitutional claim to Northern Ireland, which Unionists say is the main impediment to any progress, Mr Reynolds insisted that there will be no unilateral move by Dublin. He also reaffirmed recognition of the right of Unionists to veto any constitutional change in the province, effectively enshrined in Article One of the 1985 Anglo-Irish agreement, which affirms that any change in the status of Northern Ireland would only come about with the consent of a majority of the people in Northern Ireland.

Engineering union lauds German works bodies

By Robert Taylor, Labour Correspondent

BRITISH industry needs legally-based works councils on the German model, the AEEU engineering and electrical union has said in evidence to an inquiry into the future of unions by the House of Commons employment committee.

The union, the largest manufacturing union in the UK, said: "If more British companies are to be world-class, it is vital that unions become part of a wider progressive partnership. In Germany, unions play a constructive, leading role in the works council system and British unions would almost certainly do the same."

The AEEU praised the industrial relations systems in Germany, Japan and Sweden, arguing that countries with "the best long-term trading records in manufactured goods have well-developed employee-representation systems".

The union points out that world-class companies, "unlike the British government", see good wages and conditions, together with a constructive dialogue with employee representatives, as "integral to corporate success".

Equal pay shake-up promised

By Robert Taylor, Labour Correspondent

THE GOVERNMENT has told the Equal Opportunities Commission it is is ready to change the law to speed up the processing of cases on equal pay for work of equal value. There have been only 23 successful cases in the past 10 years.

The announcement came during talks between the commission and Department of Employment on ways of toughening equal pay laws. The EOC has also submitted this week a formal complaint to the European Commission over the government's alleged failure to implement the existing equal pay legislation.

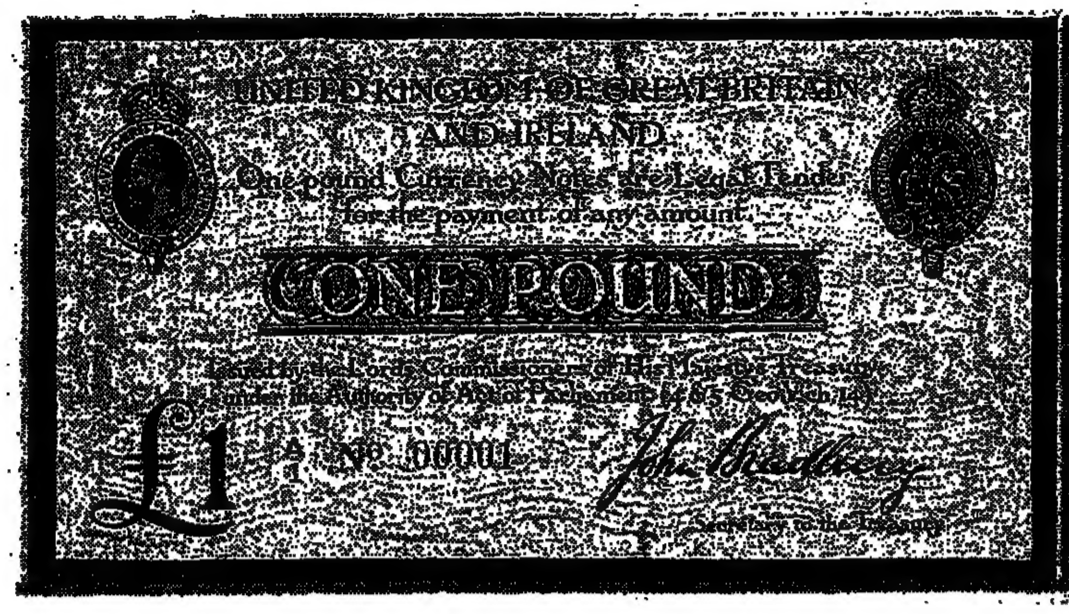
Changes proposed by Mr David Hunt, employment secretary, include requiring employers to cite one reason – and not many as at present – why there is a variation in an applicant's pay which is not due to difference of sex but another "material factor". Companies have been accused of using delaying tactics by citing many reasons.

Mr Hunt has rejected as "unacceptable" some other commission demands and that has has strengthened its determination to push ahead with its complaint to the EC.

● The government's new guidance on the Transfer of Undertakings (Public Employees) regulations will allow local authorities to "drive a coach and horses" through competitive tendering rules, it was claimed yesterday. Where Tupe applies, a successful bidder must take over the workforce on existing terms and conditions.

Under proposed guidelines, if a local authority has legal advice that Tupe applies but the bid assumes that it does not, the contractor should be invited to reconsider the bid. If the contractor refuses to revise a bid, the authority can reject it even if it is the cheapest.

Mr John Hall, director-general of the Business Services Association, said: "The uncertainty of the law at present is such that . . . an authority could obtain a legal opinion one way or the other – and use this to reject competitive bids."



The £10,000 £1 note

The first note of the new £1 currency issued by the Treasury on October 23, 1914 goes on sale at Sotheby's today. The note (shown left, actual size) is estimated to be worth between £5,000 and £10,000. If a collector had held the note since 1914 and it fetches £10,000, he would have achieved an annualised rate of return of 12.4%. It is thought that the note may have [illegible]

Britain in brief

Tours chief says theatres are 'arrogant'

The "arrogant attitude" of London theatres is costing them bookings from overseas visitors, said Mr Stuart Crouch, chairman of the British Incoming Tour Operators' Association.

He said many companies bringing tourists to the UK had stopped selling theatre tickets because of the difficulties they experienced.

These included theatres marking up ticket prices by as much as 10 per cent when bookings were made through telephone sales and credit card transactions. "What sort of message are we giving to clients and government legislators attempting to outlaw the worst practices of ticket touts if theatre managements are charging additional fees over and above the face value of the ticket?" Mr Crouch asked.

He spoke as the national heritage department issued figures showing that tourist numbers in the UK and spending by tourists rose to record levels in the first seven months of the year.

The number of visitors to the UK rose 3 per cent to 10.6m in the year to the end of July, and spending was up 12 per cent to £4.7bn. Spending in July totalled £1.1bn, 21 per cent higher than in July last year.

Mr Iain Sproat, national heritage minister, said the figures provided "further evidence that the United Kingdom is an attractive and affordable place to visit".

Crime up at petrol stations

Measures to make petrol stations more congenial to customers have also made them more attractive to criminals, said Mr Stuart Howell, chairman of the British Oil Industry Service Station Security Committee.

"The level of business is up, the amount of money kept on the premises is up and they have extended the range of goods they carry," he explained. "The fact that many are open 24 hours a day also poses problems."

A survey of owners of petrol stations showed a big increase in petty crimes such as stealing goods and leaving without paying for petrol. Mr Howell said a prepayment scheme being studied in Manchester might be extended.

Secrecy on sales to Iraq

A senior Ministry of Defence official yesterday gave details to the Scott inquiry – investigating UK sales of arms to Iraq – of a previously highly secretive Whitehall committee which was set up to control intelligence on sensitive defence exports to Iraq.

According to documents made available to the Scott inquiry, the committee handled highly sensitive information relating to defence exports that the inquiry wishes to see.

Mr Ian McDonald, head of the MoD's Defence Exports Services Secretariat, was asked what he knew about the Restricted Enforcement Unit which was set up in 1987 to supervise intelligence flowing between government departments.

"We thought it would be a good idea to have a small group of people who knew each other, who had worked with each other, and who could share information without letting it spread," Mr McDonald told the inquiry.

The unit – drawn from Customs and Excise, and members of MI5 and its sister intelligence agency SIS – consisted of 15 to 20 people.

Formation of companies rises

Hopes that the recovery is becoming better established have been bolstered by a sharp rise in registrations of new companies throughout the UK apart from Northern Ireland.

On the basis of the figures for the year so far, 1993 is likely to see the sharpest rise in company starts since 1987 according to Jordans, a Bristol-based business information company.

Registrations in the third quarter were up 8.4 per cent on the corresponding period last year. In the period between January and the end of September, starts were 6.1 per cent higher than the same time 12 months ago. The data apply to the UK outside Northern Ireland.

Scots 'lack dynamism'

SCOTTISH Enterprise, the development body for Scotland, yesterday launched a strategy aimed at improving the poor rate at which Scotland generates new businesses.

The initiative, in which banks, finance houses and other organisations are already involved, is the brainchild of Mr Crawford Beveridge, Scottish Enterprise's chief executive. He has been perplexed by the lack of dynamism of Scots in their home country compared with those abroad, since returning to Scotland from Sun Microsystems in the US.

Between 1978 and 1990, Scotland created 77 new companies employing more than 50 people per one million of population, compared with 86 in the English west Midlands and 116 in south-east England.

Loans group is reprimanded

THE Securities and Investments Board, the City's chief regulatory watchdog, yesterday reprimanded North of England Building Society for failing to ensure that its independent financial advisers sold suitable products to clients. The societies are savings-and-loan institutions which provide much of the UK's housing finance.

The rebuke was the first such reprimand by the SIB against one of the 77 firms it regulates directly. North of England said it may have to pay compensation to up to half the 2,000 customers it has advised since 1987.

Dealers accuse Ford of 'distorting' market

By Kevin Done,
Motor Industry Correspondent

FORD came under heavy attack from the leading UK car dealer association yesterday for "forcing registrations" and "distorting" the true state of the market, as figures were released showing that UK new car sales jumped by 11.7 per cent in September.

In one of the most outspoken attacks ever launched by retail dealers against the car manufacturers, Mr Alan Pulham, director of the National Franchised Dealers Association, said that "the continuing practice by Ford of forcing registrations distorts the true market situation and has an adverse effect on prices and residual values".

The association represents dealers selling about 80 per cent of all new cars in the UK and includes most Ford dealers among its membership.

Retailers are increasingly concerned that the strong rise in registrations could mislead the government "into thinking that the car sales revival is more substantial than it in fact is. The autumn Budget must not increase taxes – such a move would severely damage our fragile revival," said Mr Pulham. The increase in sales of new cars in September followed the 17.8 per cent jump year-on-year in registrations in August, the key new car sales month, which accounts for almost a quarter of annual sales.

SHARES OF UK CAR MARKET (%)

September	1992	1993
All UK produced	45.7	43.6
All imports	54.3	56.4
Japanese makes	13.1	14.2
Ford group*	21.6	18.8
General Motors**	15.9	18.9
Rover	15.1	14.4
Peugeot group	12.0	10.8
Volkswagen group	6.2	6.1
Renault	3.6	5.2

* Includes Jaguar. ** Includes Vauxhall and Saab
Source: Society of Motor Manufacturers and Traders

According to figures released yesterday by the Society of Motor Manufacturers and Traders, new car registrations in September rose by 11.7 per cent to 136,100 from 121,823 in the same month a year ago.

New car registrations in the first nine months of the year rose by 11.8 per cent to 1,450,717 from 1,297,423 in the corresponding period.

Ford, UK market leader, reacted angrily to the attack from the retail dealers. "We flatly deny that Ford has taken any action to distort the market," the company said. "The surge in registrations at the end of September is nothing unusual. The late strengthening of the market at the end of the month is a common feature in the UK market."

Most leading manufacturers had dealer and customer incentive programmes in place in the third quarter, said Ford, and many of these programmes finished at the end of September.

The franchised dealers association, which is part of the Retail Motor Industry Federation, said pre-registering cars before the vehicles had actually been sold was "a major problem forcing unreality into the market".

Despite Ford's denials Mr Pulham alleged: "Ford, and its dealers under Ford direction, are pre-registering cars rather than selling and registering at the same time. Theoretically the two events should be linked. Unfortunately, success is judged by market share. If you wish to promote your market share you increase your registrations but not necessarily your sales on the same day.

Potential bidders warn of threat to rail sell-off

By Rachel Johnson

POTENTIAL railway franchisers argued yesterday that government plans to hive off most of the 2,500 stations owned by British Rail, the state-owned national network, could make privatisation commercially unviable.

Mr John MacGregor, the transport secretary, announced on Tuesday that he intended to lease the "vast majority" of stations to franchised train operators, with only 13 mainline stations in the UK's biggest cities being offered to independent operators on leases of up to 125 years.

But potential bidders and transport analysts expressed doubts that any other stations apart from the "big 13" would be anything but a liability.

Mr Jim Steer of the transport analysts Steer Davies Gleave said that the stations could be a "huge liability" for the franchisers. "They would be tempted to run them down," he said.

Mr Brian Kerslake, the group commercial director of West Midlands Travel, said he thought only the large stations would present opportunities for profit.

Mercury wins £13m government deal

By Andrew Adonis

MERCURY Communications, the main competitor to British Telecommunications in the UK, has won the contract to manage the government's long distance telecommunications network.

The network, tendered as part of the government's contracting-out programme, is one of the largest private telecoms networks in the UK, serving about 250,000 officials in 550 government offices.

Mercury won the contract, with revenue equivalent to £13.5m last year, against strong competition from Telstra, the Australian state-owned operator which recently gained a government licence to operate in the UK. Both BT and Sprint, the US carrier, withdrew from the competition at an early stage.

The deal, for five years from next April, is for services including telephone, videoconferencing and mobile communications. The government network links offices across the country as well as a range of defence, health, education and security services institutions.

The contract is a significant outsourcing venture for Mercury, a subsidiary of the UK group Cable and Wireless. Its other large outsourcing contracts include Trustee Savings Bank, GEC and Sedgwick Group, the insurance brokers.

Mr Mike Harris, Mercury's chief executive, said: "Our understanding of government requirements, outsourcing expertise and breadth of communications services will ensure that central government has access to the latest telecommunications solutions, offering value for money."

Mr Graham Markey, Telstra's UK director, said he believed Mercury had won the contract largely on price. "But we intend to look for other opportunities in the UK, and are keen to build up our offshore business."

Telstra faces strong competition in Australia from Optus, a newly-licenced operator also part-owned by Cable & Wireless.

State aid for troubled EC airlines is opposed

By Paul Betts,
Aerospace Correspondent

THE CIVIL Aviation Authority, a regulatory agency, yesterday opposed calls for more state aid for financially-troubled European airlines.

Mr Christopher Chataway, authority chairman, said state subsidies were against the consumer's interest and threatened to undermine the European Commission's "open skies" policy.

A committee of EC experts is investigating the industry's problems, and is expected to make recommendations this year. The UK is fighting proposals from countries including France and Belgium that EC funds should be used to assist airlines in the current recession.

Mr Chataway warned that more efficient unsubsidised airlines would be damaged if aid was given to less efficient airlines to help them increase market share.

Strict conditions and limitations should be introduced to ensure that any state support to an airline did not distort the longer-term future of EC aviation, he said. The effect of any aid should be strictly short-term, Mr Chataway added.

Lady Thatcher arriving in Blackpool yesterday: she refused to comment on the row over her memoirs, which have been leaked

Tories take tough stance on crime

By Kevin Brown,
Political Correspondent

THE CONSERVATIVE party conference yesterday gave enthusiastic backing to plans announced by supporters of Baroness Thatcher, the former prime minister, for a dual crackdown on criminals and social security claimants.

Civil liberties groups were outraged by the announcements, which included the abolition of the right to silence for suspects in criminal cases and tough action against benefits claims by European Community citizens.

Lady Thatcher, who arrived in Blackpool last night, refused to comment on the announcements or the continuing row over an unflattering description of Mr John Major, the prime minister, expected to be published in her memoirs later this month.

However, the conference debates demonstrated growing confidence among her supporters that Mr Major is being forced to move towards their position on important issues including Europe.

Cabinet supporters of Mr Major said the right had been encouraged to flex its muscles by a shift in the prime minister's rhetoric towards the Euro-sceptic views endorsed by many rightwing MPs.

Senior ministers said Mr Major's attempts to placate the right could backfire by prompting a rebellion by previously loyal MPs on the centre and left of the party.

The most striking rightwing intervention came from Mr Peter Lilley, social security secretary, who used his speech to launch an attack on EC social security rules.

Mr Lilley's attack on "benefits tourism" by EC citizens contained scarcely-coded attacks on EC institutions which won sustained applause from grass roots members.

Mr Michael Howard, home secretary, was also cheered for his promise to restore "people's freedom to walk safely on the streets and sleep safely in their homes".

Mr Howard announced a package of 27 law-and-order initiatives ranging from new prisons to greater police powers and support for victims during court cases.

The package was widely regarded as a belated response to strong campaigning by Mr Tony Blair, shadow home secretary, who has successfully undermined the Conservatives' traditional image as the party of law and order.

It was welcomed by the police federation and the Association of Chief Police Officers, which said it would "help redress the balance in favour of justice for victims, witnesses and the mass of law-abiding citizens."

Most attention centred on legal changes announced by Mr Howard which will allow prosecutors to draw attention to a defendant's refusal to answer police questions.

The change, which follows repeated demands from rank-and-file activists, was rejected by the Royal Commission on Criminal Justice, chaired by Lord Runciman.

Home Office officials said the move would not remove the presumption of innocence.

But Mr Rodger Pannone, president of the Law Society, said it would shift the burden of proving guilt from the state to the defendant and upset the balance of the criminal justice system.

MR PETER Lilley, social security secretary, won an enthusiastic reception by devoting much of his speech to cutting back on social security benefits for which non-UK citizens are eligible.

From next spring, housing benefit will no longer be available to foreign claimants and there are also plans to impose a residency qualification of some months on EC nationals claiming benefits in the UK.

The restriction on housing benefit is estimated to save £50m.

"We have all too many home-grown scroungers," Mr Lilley said. "But it's beyond the pale when foreigners come here expecting our handouts".

Curbing the availability of municipal housing was a better way of combating the breakdown of the family than changing the welfare system, he indicated.

In a populist speech, he highlighted spending on lone parents as one of the three fastest rising areas of social security spending.

Today Sir George Young, housing minister, is expected to announce a review of the legislation which imposes on councils an automatic duty to provide accommodation for people defined as "homeless".

MANAGEMENT: MARKETING AND ADVERTISING

Not just a case of going to the dogs

Michael Skapinker reports on a sport ripe for a modern image

On a grim weekday afternoon, a crowd of several hundred has gathered at the Hackney Stadium in east London to watch the greyhound races.

Robert Parker takes in the shabby wooden benches, the grubby linoleum floors and the faded advertisements on the walls. "It's like a time warp," he says of the stadium he and a group of investors acquired yesterday from the Brent Walker leisure and property group for £5m.

A year from now, Parker says, Hackney will be the most advanced greyhound track in the UK. Renamed London City Stadium, it will have luxury dining facilities, corporate boxes and a children's playground.

The sport's insiders are watching Parker, a veteran racing writer and trainer, carefully. If he succeeds, they say, he could begin to reverse a 30-year decline in greyhound attendances.

There are UK greyhound tracks with better facilities than Hackney. Walthamstow, in north London, is regarded as one of the best, with trackside restaurants and brightly-lit stands. Even Walthamstow, however, falls short of what Parker has in mind. He wants jazz bands performing in the intervals between races and the dogs greeted with a fanfare of trumpets.

"His is a venture the likes of which has not been seen in this country before," says Geoffrey Thomas, deputy secretary of the British Greyhound Racing Board. As part of a master of business administration degree at Sheffield Business School, Thomas last year wrote a dissertation on the marketing of greyhound racing in which he castigated the industry for offering "a 1920s sport in a 1990s market".

Not much had changed, he said, since greyhound racing started in the UK in 1926. Although stadiums now have more seats and more areas behind glass, they look pretty much the same as in the 1930s. Of the 37 stadiums controlled by the greyhound board, 23 were built before the second world war. "Even those built after bear a striking resemblance to their predecessors," Thomas said.

In its early years, greyhound racing provided the post-first world war urban working-class with the excitement of a novel spectacle and the opportunity to gamble legally. By the early 1930s, 18m spectators were attending meetings annually at 220 racecourses. By 1948, attendances had reached 25m.

In the 1950s, however, the sport began its decline, dogged by doping scandals, criticisms from animal welfare groups and, above all, the growth of other leisure alternatives.

By 1970, annual attendances had fallen to 7m. Last year, fewer than 5m visited greyhound tracks. Managers feared their customers were too old. Peter Shotton, who runs two courses owned by Bass, the brewing and leisure group, remembers a marketing exercise he did for a previous employer a few years ago. "I told them we needed to attract 12 per cent of new customers over the following year because 12 per cent of our customers were going to go senile or die."

There are glimmers of hope, however. Research carried out in 1990 by a tobacco company showed signs of the sport widening its appeal. Despite Shotton's worries, the proportion of greyhound racegoers under 35 increased from 36 per cent in 1967 to 50 per cent in 1990. The social class of racegoers also changed, with the number in the AB category doubling from 6 per cent in 1967 to 12 per cent in 1990.

Despite the fall in attendances, greyhound racing is still the second most popular spectator sport in the UK after football. Parker and Thomas believe that to attract new spectators, greyhound racing needs to market itself as an enjoyable night out rather than merely an opportunity to see dogs running. They see an improvement in facilities as a start.

Greyhound racing has another advantage – the growing presence of women and children among its spectators. Perhaps due to their civilising presence, both Hackney and Walthamstow are free of the menace and aggression of a pub or a football crowd.

In the latest Oxo advertisement, the unmarried couple invite his parents to a meal cooked in a wok using the International Cube

Traditional roast yields to stir-fry

Ten years of Oxo ads have reflected the social changes affecting British family life, says **Diane Summers**

When Katie, the gravy supermum, hung up her apron for the last time and was replaced by the Oxo family on British television, there were letters of complaint from viewers.

The family featured in the new set of advertisements was too realistic for some to stomach. Children arguing at the Sunday lunch table prompted Disgusted of Walton-on-Thames to write: "Such a din, the children didn't deserve the lunch presented to them." A Bristol viewer complained: "It's bad enough on the few occasions my children squabble but to have it on an advert . . ."

This week, and 36 commercials later, the family is 10 years old and still striving to maintain a contemporary flavour. Indeed, the development of J Walter Thompson's campaign for Oxo's manufacturer, Unilever subsidiary Brooke Bond Foods, tracks many of the social changes affecting families in general over the past decade.

In 1984, a year into the Oxo family soap opera, Mum began her bid for freedom by leaving Dad to cook a weekend lunch while she goes off on a shopping jaunt. "Saturday off from now on," she declares on her return, as he appears not to have made a dog's dinner of it.

Three years later, Mum, like most women, has a job; like most mums, the job she has is part-time and she still carries the main domestic responsibilities. Even though she is working late, her family will not be deprived of nourishing food – an Oxo-enriched casserole is left bubbling in the oven. By 1990 Mum is venturing even further afield to a Friday night keep-fit class.

Health consciousness is also creeping in among the now-adolescent children: in an attempt to shake off the total identification with red meat, vegetable Oxo was launched in 1989. The TV soap has a vegetarian friend of son Nick coming over for lunch and daughter Alison finding his veggie pal madly attractive.

Which brings the campaign to Oxo and sex. In 1990 Nick invites his girlfriend back for a meal while Mum and Dad are out. Their eyes meet seductively over the gravy boat but viewers are spared further developments as the parents return.

Two years later Nick has stayed the night at his girlfriend's flat – they appear to spend their time preparing a risotto together. Later the same year he is cohabiting with her.

The most recent development in this everyday story of contemporary family life is the appearance of a wok. How many viewers would even have known what one was 10 years ago? The increase in foreign travel and the developing British palate have led Oxo to its latest brainwave – the International Cube.

Nick and girlfriend, their unwedded domestic routine now firmly established, invite his parents over for a meal and treat them to an Oxo-seasoned Chinese meal.

The British public seems to have taken all this in its stride. The next obvious development – babies out of wedlock – might be too much to swallow. Will public opinion force the couple to wed? Or, in the immortal words of the late Robert Maxwell, the time may come for the gravy train to hit the buffers.

Judy Dempsey on the enthusiasm for direct selling in eastern Europe

Shoppers make up for lost time

Until 1990, eastern Europe was *terra incognito* for Jonas af Jochnick. As chairman of Oriflame, the Brussels-based cosmetics firm, af Jochnick concentrated on direct selling throughout western Europe, Mexico and Chile. But once the communist regimes collapsed in eastern Europe, he jumped at the opportunity to start selling in a region which had been starved of consumer goods.

His first venture was in Poland. Instead of exporting his wares to the country, af Jochnick took a gamble. He bought Karmeila, a Polish cosmetics factory, and has never looked back. In just three years, Oriflame has blossomed in Poland. It now has more than 50,000 sales assistants who spend their time criss-crossing the country, encouraging Poles to buy a wide range of cosmetics without leaving their homes.

"It has been a remarkable development," said af Jochnick last week at the World Federation of Direct Selling Associations in Berlin. Last year, Oriflame's turnover in Poland and other countries in eastern Europe rose to £6.4m compared with the previous year's turnover of £2.7m. Its total turnover was £85.6m.

Oriflame is not the only company penetrating eastern markets in this way. According to Paul Southworth, president of Avon Cosmetics (UK), direct selling in the region has been successful for many reasons.

"This is a brand new market. Look, we are not talking about knocking on people's doors and doing the hard sell, which is often the image associated with direct selling," he said. "It has become much more sophisticated. We market the products and services to consumers away from the business premises, primarily in their homes, so that people have time to talk and choose."

Moreover, the likes of Oriflame and Avon reckon consumers do not have the inclination to travel to big cities such as Warsaw, Krakow and Gdansk, where the country's fashionable department stores and boutiques are concentrated. "We are there on the spot," says Southworth.

WFDSA members agree that the eastern Europe consumer can be put off by the barrage of television and newspaper advertising at a time when most countries are facing high unemployment.

Af Jochnick has tried to overcome this problem in three ways. He makes sure the consumer can afford his products – through careful market research. In addition, his staff, mostly women, are hired locally, which means that customers are not intimidated by the thought of a foreigner stealing his or her job.

More importantly, the brochures are all in the local language. "The consumer can see that we are catering to their needs, and that we are giving employment," explains Southworth. The company already has 20,000 people selling in eastern Germany, and is now targeting Poland, Hungary, the Czech republic and Slovakia. It is even venturing into Latvia, Russia and Ukraine. Avon has about 50,000 on the ground throughout eastern Europe, and a turnover there of about $75m (compared with worldwide sales last year of $4bn).

Direct selling in eastern Europe has had to overcome a number of obstacles: bureaucracy, a poor infrastructure and conservative values, particularly among men.

"It was difficult at first to capture the male market," says Southworth. "Some think cosmetics are just for women. But the younger generation of men is much more open to buying these products. In any case, it's easier when we send a husband-and-wife team out selling. Indeed, then men see how much money women are earning through direct selling, and they want to do it as well."

Af Jochnick suppresses a sigh when he recalls the hassle with Polish customs. "They really know how to hold up things. The delays in bringing some products into the country and registering them can be very frustrating," he explains. Sending money in and out of the country through the banking system provokes another sigh, as does the problem of phone lines. Oriflame has about 40 people working full-time in the Budapest office, but it only has two phone lines. "That's what I call overload," said af Jochnick.

PEOPLE

New finance director for Simon Engineering

The new team at Simon Engineering is making another move to try to reverse the fortunes of the struggling process engineering to hydraulic platforms group, bringing in a new finance director.

Tim Redburn, who most recently was working with David James at LEP, takes over as finance director with immediate effect. He replaces Alan Jarvis, who had held the post four years. Jarvis remains a director.

The appointment of Redburn, 40, is the latest in a round of changes at Simon which began with the death earlier this year of the former chairman, Roy Roberts.

In July Michael Davies became chairman. A month later he recruited Maurice Dixson as chief executive, replacing Brian Kemp – who had been blamed by some shareholders for the company's unsuccessful diversification into environmental businesses.

Redburn faces a tough task at Simon. Last month, the group announced a first-half pre-tax loss of £52.6m, passed its interim dividend and said that it had breached one of its banking covenants.

Dixson said then that his main priority would be to reduce net debt from £143m to less than £100m. Achieving this would involve focusing on the internal control of money and reducing the cost base.

"I have brought Tim Redburn into Simon to work closely with me to restore the group to financial health," said Dixson yesterday.

Dixson believes Redburn is the man for the job because of his considerable experience working with companies undergoing change and restructuring.

Before his stint at LEP, Redburn was finance director of Davies & Newman, finance director at Electron House and finance director and general manager of Hoverspeed.

■ Ted Bavister, one of the best-known names in the UK engineering contracting world, is retiring from his post as deputy managing director of Trafalgar House Engineering.

Bavister has just ended a year as president of the Institution of Chemical Engineers. He held senior posts at Davy and became chairman of John Brown Engineers & Constructors in 1981.

Hesketh's political weight entices Babcock's board

Lord Hesketh, right, who resigned last month as government chief whip in the House of Lords, has joined the board of Babcock International as a non-executive director.

The appointment is a further move by Babcock to strengthen its non-executive line-up.

In January, Alan Wheatley, who was then chairman of 3i, the venture capital group, joined the board of the engineering contractor, facilities management and materials handling group.

While Wheatley was attractive to Babcock for his City contacts, Lord Hesketh will bring additional talents to the Babcock team, said Lord King, chairman.

"Lord Hesketh has extensive national and international experience, politically and commercially, including a period as minister of state in the Department of Trade and Industry where he was highly regarded by those in industry who worked with him," said Lord King.

Engineering ventures are not unknown to Hesketh, who has in the past interested himself in ventures such as Formula One motor racing and an attempt to set up a motorcycle manufacturer.

The appointment of Hesketh, 42, comes in the same week as Mr John Parker takes over as deputy chairman and chief executive at Babcock, and Mr Nick Salmon joins as group managing director. A further non-executive appointment is likely.

Rustic at Cable & Wireless

The new director of corporate finance at Cable & Wireless, Richard Wainright-Lee, is a firm countryside man from his higher education – agriculture and economics studies in 1971 – to his determination to live in what he describes as a "rustic Hertfordshire hamlet".

With Barclays for 20 years, working in France and South Africa as well as the UK, he joined C & W in 1991 to develop the role of industry marketing within the business networks division.

Reporting to Rod Olsen, executive director, finance, on the group's main board, Wainright-Lee terms himself an "enthusiastic part-time sheep farmer and gamekeeper" who is – usefully enough, given his new position – "intrigued by the implementation of innovation".

■ Alan Prosser, editorial director of Kent Messenger Group Newspapers, is appointed md of Darlington and York divisions of Westminster Press, part of PEARSON.

■ Chris Jones, formerly ceo of JWT London, has been appointed md for multinational accounts of J Walter Thompson, part of WPP.

■ Philippa Back, chairman of the examination boards of the Association of Corporate Treasurers and former group finance director of D.C. Gardner, has been appointed group treasurer of THORN EMI.

■ Terry Nash, formerly executive director, has been appointed md of GRANADA Vending Services. Peter Coleridge, formerly group treasurer, has been appointed finance director of Granada Leisure and Granada Services to Business; he is succeeded as group treasurer by James Tibbitts.

■ John Keogan has been appointed a director of Allnatt London Properties, part of SLOUGH ESTATES.

■ Stuart Campbell, former marketing director of Owen Owen Group, has been appointed chief executive of LONRHO TEXTILES.

■ Susan Hunter is appointed finance director at CROWN BUSINESS COMMUNICATIONS.

TECHNOLOGY

Fiat is bucking the trend with its Punto, a mass-market car with six speeds, writes **Haig Simonian**

Geared for economy

Motorists wanting to develop their left leg muscles should try out Fiat's Punto small car, to be launched in Italy, France and Germany – three of Europe's biggest car markets – in early November.

While most automobile makers, including Fiat itself, have been developing increasingly sophisticated automatic transmission technologies, especially for smaller models used for stop-start urban driving, Italy's leading car marque has come up with an interesting alternative.

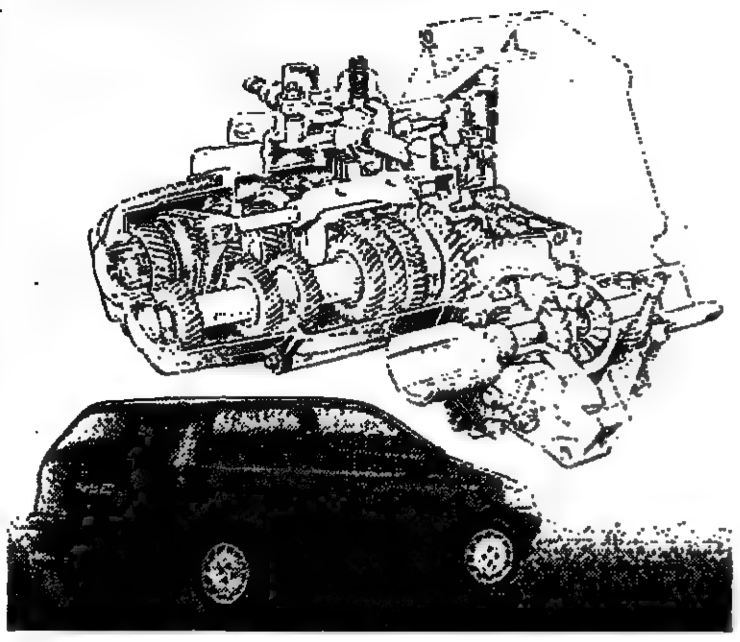
The new Punto range, which is widely seen as being as crucial to Fiat's success as its predecessor, the Uno, was in the 1980s, includes models with a standard five-speed gearbox as well an innovative continuously variable transmission, due next spring. But the company has also unveiled a novel six-speed gearchange on one the most basic and least powerful of its Puntos.

Six-speed boxes are nothing new. "Supercars" such as the Corvette Stingray and BMW's fast and luxurious 8-Series sports coupés already offer them to performance-minded drivers. More recently, six-speed transmissions have appeared on more modestly priced, but still potent, sports cars such as the most powerful version of Vauxhall/Opel's Calibra. In a matter of months, Fiat itself will be offering a six-speed transmission on a new, high-performance four-wheel drive version of its sporty Alfa Romeo 164 saloon.

However, the relatively low sales volumes of the six-speed supercars mean the gearboxes have all been bought in from specialist manufacturers, usually Germany's Getrag, rather than being produced in-house by the car makers themselves.

The Punto marks the first time that a mass-market car will offer a manufacturer-built six-speed box. It will also be the first time a six-speed transmission has been used in a car with such a small engine. The Punto version involved has a 1100cc motor, developing just 55 hp (40 kw). In a car likely to be chosen predominantly for city driving, where frequent gear changes are essential, what was the point?

Punto: six-speed transmission



Nicola Malara, head of gearbox development at Fiat's car subsidiary, explains. "We designed the six-speed box largely for young drivers, who may have only just passed their driving test, but want to have the sense of fun associated with a bigger car. The six-speed Punto isn't a turbo or a car which goes terribly fast, it's more the feeling of a sports car."

The six-speed transmission is a marriage of marketing and technology. A number of countries, such as Italy, limit the engine capacity of cars which can be driven by newly-qualified drivers. Even where there are no such restrictions, many prospective Punto buyers would not be able to afford higher-performance cars.

The six-speed transmission is intended to let drivers get the most out of the modestly powered engine by making them work harder themselves. "Its qualities are particularly evident in mixed-condition driving or going up hills, where the driver has a suitable gear ratio for every situation," according to Fiat.

Frequent use of the clutch may not put off many prospective buyers just making the transition from two to four wheels, reckons Malara. "For those used to driving 50cc or 125cc motor scooters, six gears are nothing new; manufacturers have used them for some time to maximise performance." And in Italy, where motor racing is almost a religion, the idea of frequent, snappy gear changes may appeal to sports-minded public. Malara thinks the model will also catch on in Germany and Spain, where drivers also value "performance motoring".

But Malara denies the six-speed box is just a gimmick to draw first-time drivers to the Punto. "The six-speed box, if used properly, will lower fuel consumption compared with the five-speed version." And although its appeal may seem limited at present, Fiat may offer the new transmission on other small models, such as a successor to the Lancia Y10, he hints.

Either way, the company should benefit. As the six-speed box was a spin-off from the new five-speed Punto gearbox, development costs were modest. The six-speed transmission is only slightly heavier and required only modest additional engineering, says Malara.

On the other hand, if the six-speed transmission catches on, the company will have stolen a march on its competitors, who may feel obliged to develop six-speed boxes of their own. "We'll be ahead, and theirs won't be a novelty any more," says Malara.

Watson is on the case

The growing number of students at Britain's universities are finding it more difficult to keep in touch with each other. The student unions at the universities of Brighton and Sussex are the first to try to combat the problem with pocket pagers.

From January, students at the two universities, both sited in Brighton, will be able to rent pagers to receive messages about student union meetings, entertainment and information from local companies.

There will be messages broadcast to all students – which band is playing on Saturday night, say – and messages to members of particular clubs or societies. The pagers will also be used to carry individual messages.

Brighton was chosen as the first site for the service because the two colleges were trying to work together, says Rosalind Macfarlane, marketing manager of Higher Education Communication (HEC), the service provider. Other universities will get Watson – derived from the expression "What's On" – in the 1994-95 academic year.

The Brighton students will be able rent the alphanumeric pagers, which can carry messages of up to 96 characters, for £10 a term.

Jeremy Oates, director of HEC, says his aim is to make money out of the service, and to do that Watson will need one large sponsor – possibly a bank – and advertising from several local companies.

Oates also reckons that the cost of the pagers will have to be written off. "I believe we'll see the pagers go out, but I don't believe we'll see them come back."

Della Bradshaw

Copy-proof strip takes swipe at fraudsters

A specially coded magnetic channel on plastic cards should increase security, writes **Michael Kenward**

For his party trick, Simon Willcock will copy your credit cards. With a device twice the size of a mechanical card reader, he transfers the data on the magnetic strip from one card to another.

His box of tricks is made of perspex so that you can see it contains nothing more exotic than some tape-recorder heads and simple electronic circuits. With more sophisticated equipment, Willcock can show you just what data sits in the magnetic strip on your card. Mostly, it is a seemingly meaningless sequence of numbers and letters in three parallel "recording channels".

Willcock does not counterfeit cards for a living; he wipes clean any copies he makes with a powerful magnet. He does it to demonstrate the vulnerability of conventional credit cards.

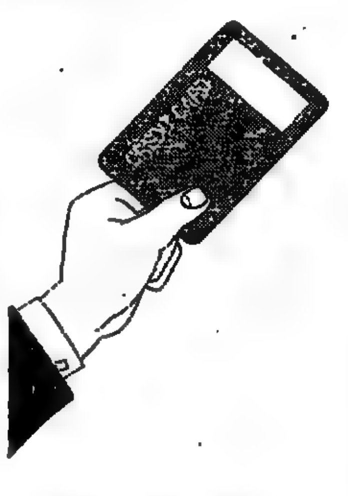
The party trick is part of a demonstration put on by the Central Research Laboratory of Thorn EMI, where Willcock heads the magnetics division. CRL has a vested interest in raising doubts about the security of credit cards: it has developed a technology that it claims makes it impossible to duplicate cards.

The Watermark Magnetics technology – so-called because it leaves a permanent "fingerprint" and is as hard to copy as the watermark in paper – is a growing business for Thorn Secure Science International (TSSI). As credit card fraud grows, more and more banks are turning to the company for its copy-proof magnetic strip.

Since adopting Watermark in the mid-1980s, banks in Sweden have seen the disappearance of "phantom withdrawals" where money goes missing from an account, despite customers' claims that they did not use their cards. TSSI has just announced the first UK trial with standard Visa payment cards; this will involve 30,000 cardholders in the Northampton area. The Korean Phone Card Company has used Watermark since the Seoul Olympics in 1988.

CRL's technology also uses a magnetic strip, but one with a fourth recording channel. This channel is different magnetically from the conventional recorded strips that make up the other three channels. It contains "hard" data that cannot be erased or copied. "Whatever you do, you can't get rid of it," says Willcock.

Watermark's fourth track carries data that is unique to each card. Just as a paper watermark is "written" into the fibres of the paper, so CRL's magnetic mark is embedded in the strip's "magnetic domains". Unlike the domains of a recording tape, which point along the tape, the domains in CRL's stripe, its magnetic particles, are at 45 degrees to the tape.



The magnetic domains in one length of tape can point in one of two directions, with some particles pointing one way, while particles in other stretches of the tape are at 90 degrees to them. A specially designed tape reader can detect where the strip goes from one direction to the other. By arranging these short stretches in a predetermined way, the tape-maker is effectively creating a special pattern that shows up as a unique sequence of numbers and letters. From its production plant in Swindon, TSSI delivers to its customers tapes with an agreed security sequence. The card-maker then puts the strip on to a plastic card.

By checking for the watermark, an automated cash machine can confirm that the card is present. With a conventional credit card there is always some doubt about this. The user's personal identification number (Pin) is supposed to verify this, but with cards so easy to copy, customers can argue that a transaction had nothing to do with their card.

While credit cards are an important market for CRL's technology, it has also found a role in security systems. The Ministry of Defence already employs it in its Central Headquarters Office Technology System. Before gaining access to the MOD's electronic mail, users have to insert their "Watermarked" cards. And those cards have to stay in place throughout the session.

A further use is in pre-paid cards, for phone calls and transport systems, for example. Here the risk of duplication is considerable, as it is in cards used for gaming machines. Australian casinos have adopted Watermark cards for this application.

If Watermark technology is so secure, why has it not caught on? After all, it adds just a few pence to the cost of a card. The true costs of adopting a new technology are those of changing business systems, in installing new reading machines and registering the issue and numbers of magnetically protected cards. Financial institutions issue more than a billion cards each year for financial transactions alone.

On the other side of the balance sheet, fraud is a growing problem for banks. They are looking for ways of reducing their losses. Alternatives to Watermark's "hard strip" include "smart cards" with electronic chips that hold large amounts of data. While smart cards can also reduce fraud, Thorn EMI maintains that they are no more secure than its magnetic stripe, and are considerably dearer.

The company forecasts a growing demand for its system. It has issued magnetic strips for more than 500m cards, and now makes about 70m a year.

An irresistible catalogue of disasters: Bruce Jones and Ricky Tomlinson in Ken Loach's 'Raining Stones'

Cinema/Nigel Andrews

Simply horribly funny

RAINING STONES (15)
Ken Loach

THE YOUNG AMERICANS (18)
Danny Cannon

HARD BOILED (18)
John Woo

Ken Loach's *Raining Stones* is a comedy about misery: something the English do better than anyone else. Perhaps it is the weather. Perhaps it is Britain's post-imperial national mood: all that lost pride swilling around like poison. Or perhaps it is just the British ability to keep getting turned down for the Olympics.

In scene one, somewhere near Manchester, the hero Bob (Bruce Jones) is limbering up for his own unique athletic event, sheep-stealing. Bob is an unemployed fortysomething failing to make ends meet. His friend Tommy is the dumpy, bespectacled ideas-man (Ricky Tomlinson of the famous *Riff Raff* bath scene) who helps him urge the piece of live mutton into Bob's van. Then, having transformed it into choice cuts off-screen, the two men hawk it around the local pub. Only problem: while they are doing so Bob's uninsured van is stolen from the pub car park.

Thus begins the breezy catalogue of disasters. In a Ken Loach film the following truths are self-evident. Few men have any money; few men have a job; and if a Loach hero followed Norman Tebbit's advice to get "on his bike" he would promptly have his bike stolen. *Raining Stones* is scripted by former Loach collaborator and *Play For Today* veteran Jim Allen, who must have been asked to report to the set with three jokes per page. The hero's misfortunes are horribly funny, except in one scene when they are simply, searingly horrible. (A moneylender barges into his home to terrorise his wife: "Take the rings off!" he says, addressing her knife-threatened fingers).

Mostly, Loach and Allen let comedy do the business both cautionary and caustic. Since Bob is a born loser whose empty head fills up with the first predatory propagandisings to come along, he is a semi-devout Catholic. He wants to buy his daughter a communion dress (cost £115) and this insignium of pride and purity must be acquired by any means, however shamefaced or impure. From rustling sheep our hero advances to stealing turves at the Conservative Bowling Club, cleaning out the drains at the church and coaxing his wife into reluctant seamstress work. (She handles a sewing-machine much as a dog handles a bicycle.)

Bruce Jones, his face like a wounded croissant, makes Bob's mixture of dimness, obstinacy and sweet nature irresistible. His communion lessons to daughter are a masterclass in daffy scholarship: "'E takes a piece of bread and 'olds it up to 'is mates" is his summary of Our Lord's activities at the Last Supper. And when the daughter later shows who is the real moral boss by lending Dad a much-needed tenner, he promptly bursts into tears after she has left the room.

The movie gets tough when it is time to. Bob is involved in a violent death, and for a few bizarre but persuasive minutes the film is possessed by the dark spirit of urban *verismo*. But this is world where lunatic optimism always returns to beat back reality. The priest pats our Bob's shaking hand and mouths some doubtful scriptural bromides; and Bob moves off, not much sadder and certainly no wiser, to his daughter's Communion.

Bad Loach movies (*Fatherland*, *Hidden Agenda*) deal out denouements, showdowns and Messages. Good Loach movies – *The Gamekeeper*, *Riff Raff*, *Raining Stones* – rejoice in life's confusions and contusions and offer ironic sympathy as the only band-aid. These films are about the mixed blessings of self-knowledge: especially in a hard-up world where energetic befuddlement and instinctive camaraderie often provide the best protective layer between outside world and inside awareness.

★

"I didn't expect everyone to be so polite," says New York police detective Harvey Keitel on landing in Scotland Yard. Why not? Has he not seen *Brannigan*, *The Mackintosh Man* and a dozen other yankee-in-Queen-Elizabeth's-court crime movies? *The Young Americans* brings its Stateside law-enforcer to London to assist the natives in their international drug traffic problems, and to be bemused in his turn by people's tendency to say "How was your flight?" instead of "Siddown" or "Whaddyawannaknow?"

Not that this politeness lasts long. Soon Keitel is being strobed by East End discos, threatened by cockney crime barons and gnawed by anxiety when he sends in a young apprentice supergrass (Craig Kelly) to grab incriminating evidence on the suspected Mr Big (Viggo Mortensen).

The British writer-director is Danny Cannon, a National Film School graduate. He smothers the film in high-concept gloom as if still doing his second-year school exercise, "How to make a *film noir* without cutting off all the lighting sources." There are dark streets strafed by backlighting; dark basement homes illuminated by a single grungy window; dark, flicker-lit dance clubs where a hundred extras trip the light epileptic.

What there is not, amid the acres of moody style, is a compelling story. Narrative momentum is constantly sabotaged by Cannon's wish to pile in as many subplots as possible to please the American market he seems to be aiming for. Here an interracial love affair (Kelly's with his black girlfriend), there a crumbling marriage (Keitel's with his end-of-phone wife), somewhere else the wit and wisdom of a veteran "godfather" (Terence Rigby). No wonder the two best-known UK actors hugging the top of the cast list – Iain Glen, John Wood – have time for about four lines each of true-Brit dialogue before vanishing into the gloom and confusion along with everything else.

★

The Hong Kong action film *Hard Boiled* has no fears about losing its characters. Its set aim is to dispose of them all as fast and spectacularly as possible. The checklist of weapons includes: knives, handguns, submachine guns, rocket-launchers, electric cables, crashing ceilings, burning hospitals and intercontinental ballistic dialogue. (Exclamatory Chinese interspersed with suddens spasms of B-movie American).

If all this does not take care of the arms-running gangsters who have attracted the adverse attention of our hero Inspector Yuen, nicknamed "Tequila" (Chow Yun-Fat), there is always Yuen's undercover ally Tony (Tony Leung). He has startling powers of survival. Shoot him, beat him up, stab him, electrify him and he still comes back smiling and firing.

The man responsible for this insanity is writer-director John Woo. You have to admire his effrontery as one hard-to-top shoot-out is topped by another, and as the violence itself is finally topped by an outbreak of high-kitsch sentimentality in the newborn babies' ward. As mayhem bursts around them, the tots are scrupulously rescued by "Tequila" and his girlfriend (Terese Mo). Our hero even takes the trouble to stuff the babies' ears with cotton wool and to avert their eyes ("Hey! X-rated action!") whenever his gun-hand comes into play. *Hard Boiled* is 100 minutes of movie violence redeemed by its total remoteness from real life: unless we are to take the date in which Woo's story is set – 1997 – as an earnest prediction of life in Hong Kong after that fateful changeover.

Theatre/Malcolm Rutherford

The Piano Lesson

The second half of August Wilson's *The Piano Lesson* is so good that one immediately forgives a rather laborious first act. The last 15 minutes are so dramatically clever that even the most seasoned play-goer is unlikely to foresee the ending. Twice I guessed wrong.

When the gun is barely concealed in the lady's dress, I though there would be a shooting, probably fatal. When the shooting was diverted by a drunken entrance stage right and the drunk proceeded to play the piano that is at the centre of the play, one wondered, knowing that the three hours were almost up, what on earth could happen next.

As it turns out, divine intervention. Yet as the preacher exorcises the house and the piano, it is a reasonable assumption that the instrument which has been so rooted to the floor that not even grown men can move it, will become suddenly lighter. That does not happen either. Wilson's *Piano Lesson* ends happily, even sentimentally.

Sentimentality, however, is no longer the dominant note, as it was in his play *Fences* which was shown in London three years ago. Wilson is a black American playwright who writes mainly about blacks and has won most of the American theatre prizes. The evidence of *The Piano Lesson* suggests that he is up with the best, alongside Tennessee Williams, Arthur Miller and David Mamet.

It is Pittsburgh 1936, then not a bad place for blacks to live compared with the American south. At least there are jobs and prospects. One of the residents of the house works on the railways, enjoys wearing his uniform and travelling across the states. The widowed Berniece takes a pride in owning the house, working and bringing up her daughter who might go in for teaching.

The problem is a mixture of the piano and the arrival of relations from the south, notably the Boy Willie. Willie is the brother of Berniece. He wants to sell the piano – a hugely ornate affair, though an upright – in order to buy land back home. Berniece resists: the piano is the most prized possession that the family, such as it is, has ever had. In the past it had been exchanged for 1½ niggers: one grown-up, one child.

Wilson takes too long to set out the background. Yet, once it is established, there are some masterly scenes. Berniece, played by Cecilia Noble, is a very attractive and intelligent woman. She is not madly keen on coming out of her widowhood to marry the preacher Avery (Danny John-Jules), but comes tantalisingly close in the middle of the night, when much of the action takes place, to falling for one of her brother's friends.

This friend is called Lymon, played by Cyril Nri. He is not very bright and takes a childish delight in being sold a white silk three-piece suit with silk handkerchief and white and brown two-tone shoes to match. He buys a perfume which he is told is worn by the Queen of France, then gives it to Berniece.

In the marvellous second act, there are other felicities, not least in the twists and turns of the plot. There is also feeling. The play is directed by Paulette Randall and designed by Poppy Mitchell. If you cut the first act by 20 minutes, it would be the highest professionalism all round.

Tricycle Theatre, London NW6, until October 31. (071) 328 1000

Alastair Muir

Some masterly scenes: Lennie James, Cecilia Noble and Marion Joseph in August Wilson's play

Concert/Richard Fairman

A bizarre inauguration for St John's new organ

Even in its days as a working church St John's, Smith Square was not graced with an organ appropriate to its scale and position, an impressive landmark on the 18th-century skyline of London just behind Parliament Square. One writer remarked that its modest instrument was "very foul and much in need of repair".

Two centuries later, the omission has been made good. Following its restoration after war damage, St John's functioned well enough as a concert-hall without an organ until the last few years, when it has been building on its reputation as a venue for choral music. An organ no longer looked a desirable extra: it had become a necessity. An appeal was launched and reached its target thanks to a large donation from the Sainsbury Family.

The Sainsbury organ, as it is to be known, was inaugurated with a gala concert on Tuesday. In several ways it was a bizarre affair, if an enjoyable one. There was no standard organ solo on the programme, but we did get Ruggero Raimondi, who turned up to sing an Italian song with piano lasting all of two minutes. Meanwhile, the audience was seated with its back to the new instrument, supposedly the star of the evening.

Those who turned round will have been impressed with what they saw. The familiar 18th-century organ case has been retained, extended where necessary in the same style, and restored, its pipes gleaming silver, the overall picture a splendid enhancement to an elegantly Baroque hall. The German builder Johannes Klais of Bonn was put in charge of producing the new instrument and has come up with a firm, varied, authoritative organ sound.

Varied is the key word these days. A new organ has to do duty for the whole repertoire, whether it be Bach or Messiaen, the grand French romantics or Baroque preludes and fugues. Simon Preston, the organist for the gala evening, chose to show off its prowess in unusual music – a triumphal march by Françaix to start, a riotous set of variations on "God Save the Queen" by Charles Ives, some Tournemire and a dazzling showpiece by Joseph Bonnet.

Even after all those, the organ seemed to have new sounds to spare. It can unleash plenty of volume as well – too much for Poulenc's Organ Concerto, when it dwarfed the orchestra, at least from where I was sitting. Another problem there, too: it is notoriously difficult to keep an organist and a choir or orchestra together when they are at opposite ends of the hall. The only answer will be to have the audience facing the other way.

These initial impressions will no doubt be enlarged, modified, possibly contradicted, as the solo recitals get underway, led by Preston, Gillian Weir and Daniel Chorzempa. A big additional attraction will be the novelty of the video screen, which allows the audience to watch the organist at work in close-up, though the players themselves may not like it. No cheating will be possible in those tricky pedal solos at St John's.

Organ recitals this month will be on October 14 and 28 (evenings), 15 and 29 (lunchtimes)

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Concert Hall Tomorrow, Sat: La Camerata presents a programme of baroque flute concertos and Benda's melodrama *Ariadne auf* Naxos. Oct 11, 13, 15: Ivan Fischer conducts Michael Hampe's staging of Idomeneo. Oct 12, 13, 16, 17, 18: Limon Dance Company. Oct 16, 17: Budapest Festival Orchestra (01-728 2333/ 01-722 5511)

FLORENCE

MaggioDanza presents a programme of Tchaikovsky ballets at Teatro Verdi on Oct 14, 15, 16, 17 (055-212320)

BARCELONA

Gran Teatre del Liceu Tonight, tomorrow, next Mon, Wed, Fri and Sun: Uwe Mund conducts Willy Decker's 1991 *Cologne* production of Der fliegende Holländer, with changing casts including Franz Grundheber and Wolfgang Schöne as the Dutchman and Lisbeth Balslev as Senta. Oct 27: first night of Fedora (tel 412 3532 fax 412 1198). Oct 21 at Palau de la Musica: Kiri te Kanawa (301 6943)

BOLOGNA

Teatro Communale Tomorrow and Sat: Pinchas Steinberg conducts orchestral works by Ravel and Tchaikovsky, with piano soloist Michele Campanella. Next week's concerts are conducted by Claus Peter Flor. The opera season opens on Nov 27 with Puccini's Trittico (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

LONDON

THEATRE

● Tamburlaine the Great: Antony Sher plays Tamburlaine, the shepherd whose remorseless ambition takes him to the height of power. Marlowe's masterpiece of lyrical storytelling tranfers to London in Terry Hands' RSC production, after a sell-out season in Stratford. Previews from tonight, opens next Thurs (Barbican 071-638 8891)

● All's Well That Ends Well: revival of Peter Hall's RSC production of Shakespeare's play mixing the harsh realities of war with the cosseted world of the court and the harmony of country life. Now in previews, opens on Tues (The Pit 071-638 8891)

● *Machinal: Fiona Shaw stars* in Sophie Treadwell's 1928 classic of the American avant-garde, about a woman who tries to break free from the pressures of a mechanistic world. Directed by Stephen Daldry in the Lyttelton. Previews from Sat, opens Oct 15 (National 071-928 2252)

● David Hare Trilogy: a three-part examination of major British institutions, presented in the Olivier Theatre by a single company of actors directed by Richard Eyre. The Absence of War, Murmuring Judges and Racing Demon can be seen individually - or all on the *same day on* Oct 9, 23, 30 and Nov 13, 20 (National 071-928 2252)

● Flight: Bulgakov's drama of the Russian civil war, described through the eyes of a survivor in a style both hallucinatory and blackly humorous. Translated by Michael Glenny, directed by David Graham-Young. Opens next Wed (Lyric Hammersmith Studio 081-741 2311)

● Carousel: West End transfer of Nicholas Hytner's award-winning National Theatre production of the Rodgers and Hammerstein musical (Shaftesbury 071-379 5399)

OPERA/DANCE

Covent Garden The main event this week is the premiere tomorrow of Graham Vick's new production *of Die Meistersinger von Nürnberg,* conducted by Bernard Haitink and designed by Richard Hudson, with a cast led by John Tomlinson, Thomas Allen, Gösta Winbergh, Deon van der Walt, Nancy Gustafson and Anne Howells (repeated Oct 13, 16, Nov 4, 8, 13). Marilyn Horne bids farewell to the Royal Opera tonight in her final *performance of L'Italiana in Algeri.* Madama Butterfly can be seen on Sat, and repertory later this month includes revivals of Mitridate and Yevgeny Onegin, and a Royal Ballet mixed bill (071-240 1066)

Coliseum English National Opera's repertory this month consists of a new production of La boheme conducted by Sian Edwards/Noel Davies and staged by Steven Pimlott, with Roberta Alexander and Rosalind Sutherland alternating as Mimi (next Tuesday's performance is a royal gala); The Rape of Lucretia staged by Graham Vick and conducted by David Parry, with Jean Rigby in the title role; and Jonathan Miller's production of Il barbiere di Siviglia, with Alan Opie as Figaro (071-836 3161)

Sadler's Wells Final performances of Glyndebourne Touring Opera's London season are Siegfried Matthus' Rilke opera tonight and Sat, and Don Giovanni tomorrow (071-278 8916)

Queen Elizabeth Hall Tonight: Mecklenburgh Opera presents two operas associated with the Czech wartime ghetto of Terezin - Hans Krasa's Brundibar and Viktor Ullman's The Emperor of Atlantis. Next Tues and Wed: Batsheva Dance Company (071-928 8800)

CONCERTS

South Bank Centre Tonight: Marek Janowski conducts RPO in works by Mozart, Rakhmaninov and Beethoven, with piano soloist Hélène Grimaud. Tomorrow: Nicolai Gedda is tenor soloist with London Mozart Players conducted by Matthias Bamert. Tomorrow (QEH) and next Tues: Andrew Davis conducts BBCSO in Stravinsky/Strauss series. Sat: Montserrat Caballé. Sat (QEH): *Ton Koopman conducts Amsterdam* Baroque Orchestra. Sun: Leonard Slatkin conducts Philharmonia Orchestra in Walton, Haydn and Elgar, with violin soloist Pinchas Zukerman. Sun (QEH): Josef Suk and Nash Ensemble play Dvorak, Smetana and Martinu. Next Wed and Sat: Franz Welser-Möst conducts LPO in concert performances of Tristan und Isolde, with Heinz Kruse and Elizabeth Connell (071-928 8800)

Barbican Tonight: Ion Marin conducts London Symphony Orchestra in Rimsky-Korsakov, Bottesini, Stravinsky and Ravel. *Tomorrow:* John Lubbock conducts New Queen's Hall Orchestra in Parry, Brahms and Elgar. Sat: Juan Martin's flamenco dance company. Sun afternoon: Stephen Kovacevich piano recital. Sun evening: Richard Hickox conducts LSO in European premiere of new work by Marvin Hamlisch. Mon and Wed: Libor Pesek conducts Chamber Orchestra of Europe in two programmes, including works by Kodaly, Strauss, Mahler and Dvorak. Tues: Stephanie Gonley directs ECO, with cello soloist Steven Isserlis (071-638 8891)

MADRID

Teatro Lirico La Zarzuela José Serrano's zarzuela La Canción del Olvido, staged by Pier Luigi Pizzi, can be seen tonight, tomorrow, Sat and Sun. Jonathan Miller's ENO production of Rigoletto is given a single *performance* on Oct 18. Martha Graham Dance Company heads a two-month dance season, starting on Oct 27 (01-429 8225)

PRAGUE

● Woldemar Nelsson conducts Prague Symphony Orchestra next Tues and Wed at Smetana Hall in works by Tchaikovsky, Schubert and Beethoven, with piano soloist Jan Simon (02-232 2501)

● The next Czech Philharmonic concerts at Dvorak Hall take place next Thurs and Fri, and are conducted by Alexander Rahbari (02-286 0111)

● For pre-booking and information about other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the *passage, tel 02-261602*, or Bohemia, Na Prikope 16, tel 02-228738, or Melantrich, Wenceslas Square 38 in the passage, tel 02-228714) and theatre box offices. Tickets can be ordered from abroad through Bohemia Ticket International, Salvatorska 6, 11000 Prague 1 (fax 02-231 2271)

ROME

Teatro Olimpico Mon: Sviatoslav Richter (06-320 1752)

WEXFORD

For this year's festival (Oct 14-31), artistic director Elaine Padmore has come up with a classic Wexford trio of unjustly neglected or forgotten operas, with six performances of each: Tchaikovsky's beautiful Cherivichki (The Tsarina's Slippers); Paisiello's Il barbiere di Siviglia; and Zampa, Hérold's once-popular 19th century opéra-comique. A full concert schedule gives prominence to *Wexford's young singers.* Tickets from Theatre Royal, High Street, Wexford, Republic of Ireland (053-2214)

ARTS GUIDE

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Sunday Super Channel: West of Moscow 1830
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Sky News: Financial Times Reports 1330; 2030

From bare beginning to family fortunes

BOOK REVIEW

THE WARBURGS – The 20th-century odyssey of a remarkable Jewish family
By Ron Chernow
Random House, $30, 820 pages

The Warburgs were a wonderfully talented and creative lot. Paul, a partner in the US investment house of Kuhn Loeb, provided an original blueprint for the US Federal Reserve. Aby's work on iconography left a lasting mark on art history and, courtesy of the Nazis, on London, which acquired the Warburg Institute. Siegmund, founder of S G Warburg, did more than any other individual to revive the fortunes of the City of London in the postwar period.

Members of the family were also around – and were heavily scarred, financially and psychologically – when many of the great historical upheavals of the 20th century took place. The Hamburg-based bank, M M Warburg, whose Jewish partners were fierce German nationalists, lost most of its capital in the first world war and its name in the second; Max Warburg served on the German reparations delegation at Versailles and was subsequently excoriated in Nazi propaganda for a settlement that he did not support.

Jimmy of the New York Warburgs advised, then fell out with, FDR at the time of the New Deal. It was he who invented the phrase "soak the rich" and on whose Connecticut farm George Gershwin wrote much of Porgy and Bess while conducting a passionate affair with Jimmy's wife. Max and Siegmund played a courageous role in extracting Jews from Germany, with support from the rest of the family in Scandinavia and the US. Felix, who spent years as a senior partner at Kuhn Loeb without pretending to know much about banking, was the pre-eminent American Jewish philanthropist of his day.

All in all, a marvellous subject for a multiple biography. Yet this door-stopping volume by Ron Chernow makes an off-putting start to the job. He is not helped, admittedly, by a blurb writer who accuses him of laying bare "the whole stormy, heart wrenching history of Jews and Germans in the 20th century" – a singularly tasteless way to talk about the Holocaust. But the real problem is that the book is infuriatingly reticent on how the Warburgs came by their wealth and eminence in banking.

The bare outlines of the story are that the family started as money changers and pawnbrokers in the Westphalian town of Warburg in the 16th century. From this they graduated into trade finance in the Hanseatic port of Hamburg.

In the late 19th century they invaded Wall Street by marrying into the Schiff and Loeb families, thereby securing a far better US bridgehead than the Rothschilds managed to achieve. Over a long period the family established a network of international connections that survived the depredations of two world wars.

Yet there is no more than sketchy detail of how Moritz, then Max, turned M M Warburg into one of the most powerful private banks in Germany. We are not told how the bank made the transition from trade finance to the domestic investment banking that left it vulnerable to the aftermath of the 1929 crash. Nor again, of how, apart from force of personality, the partners of Kuhn Loeb made the fortunes they so ostentatiously displayed. In contrast, we are presented with very precise details of how many diamonds and rubies Warburg daughters are given on marriage, a great deal about the furnishings of their houses and exact numbers for the surrounding acreages.

Happily, the book is saved in the end by the unbeatable quality of the story. The plight of the German Jews, the most heavily assimilated in Europe, is revealingly portrayed through the fortunes of the Warburgs, whose sense of loyalty to their country made it difficult to leave. The banks' Jewish partners were hounded from company boards and forced to sell M M Warburg to non-Jewish members of the staff for a song, leading to a contentious change of name to Brinckmann, Wirtz.

Max, meantime, placed too much trust in the slippery Dr Hjalmar Schacht, head of the Reichsbank, in his attempts to make deals for the lives and property of members of the Jewish community. There were moral and tactical dilemmas everywhere, not least over how to confront Nazi propaganda without providing ammunition to the anti-Semites who attributed Germany's woes to an international conspiracy wrought by Jewish bankers. Although Chernow raises questions about some of the actions of Max towards fellow Jews, it is a tale that commands sympathy and respect.

The book also comes to life when it reaches Siegmund Warburg. Here Chernow tackles the business issues in more detail and the great dramas of Siegmund's life – the contested takeover of British Aluminium, the attempt to shake up Kuhn Loeb and the power struggle to put the Warburg name back into Brinckmann, Wirtz – are rendered to good effect.

It is a warts-and-all portrait, including details of a covert romance with the ballerina Alexandra Danilova and speculation that Siegmund and Theodora Dreifuss, a Swiss graphologist and psychologist, were lovers.

Whatever the truth of these particular matters, Chernow's suggestion that Siegmund sent all letters of congratulation on his knighthood to Dreifuss seems wholly plausible. He was, in today's vernacular, a control freak, and would have delighted in putting Dreifuss's analysis to future use.

The paradox of Siegmund is that, for all his inventiveness, he failed time and again to get the big strategic moves right. The initial postwar assault on Brinckmann, Wirtz was bungled through family feuding. By alienating American members of his family, he forfeited the chance to control Kuhn Loeb. Links with A G Becker in the US and Paribas in France went nowhere. But in his inimitable way, he was undeniably a great banker. That much shines through an otherwise unflattering portrait.

John Plender

Big ideas that may bridge the gap

John Willman on suggestions to smooth the UK private sector's involvement in public projects

Private investment in large public sector projects such as new roads and railways is seen by UK ministers as the big idea for the 1990s, as significant as privatisation was for the 1980s.

Later this morning, Mr Kenneth Clarke, the chancellor, will tell the Conservative party conference of his determination to sweep away obstacles to involving private finance in public projects. In addition to reducing the burden on the exchequer, he will say, private sector involvement introduces fresh thinking and a more commercial approach into public sector investment.

Yet a report published today by the Chartered Institute of Transport says that efforts to attract private investment into transport projects are doomed to fail unless the government adopts a new approach.

The authors, who include builders, financiers and transport consultants, say private sector companies see little hope of a reasonable return on financing transport projects under Treasury rules for such projects.

"The government's approach simply won't work," according to Professor Tony Ridley, chairman of the group that produced the report. "My fear is the Treasury has simply invented a new mechanism for proving all sorts of infrastructure projects can't be financed."

The government's plans for involving private capital go beyond transport projects. Ministers responsible for the health service, education, urban development and the prison service are all searching for innovative ways to use the private sector to provide for needs traditionally met by the public sector.

But the biggest impact could be made in transport. While much of the transport department's £3bn annual capital budget goes into road and rail schemes, there is a large backlog of desirable projects the taxpayer cannot finance. These include most of the £20bn roads programme published in 1989, the modernisation of British Rail lines such as the west coast line between London and Glasgow, and urban light rail projects.

According to the institute's report, only a handful of private finance projects have got off the ground. Most have been bridges such as the Dartford bridge across the Thames which can be completely financed in the private sector using tolls for repayments.

However, the number of such projects is limited – mainly to estuarial crossings where users will pay tolls to save themselves a lengthy detour. If private finance is to be more widely used for infrastructure, the report says, it must be drawn into projects which cannot be wholly financed in the private sector.

That means joint ventures or co-investment, in which the government contributes either some or most of the finance with the rest being raised privately. The return for the private sector partner will come from payments made for using the new road or railway. These may be raised through tolls, track charges, fares or perhaps even shadow tolling – a payment from the transport department for each vehicle that uses a new road.

Treasury rules make such joint ventures hard to establish, according to Prof Ridley, because of an unwillingness to recognise that the private sector has a choice about where it invests. Potential investors in transport projects want the risk and uncertainty to be no greater than on alternative investments such as power stations or new industrial plant.

Yet transport projects have characteristics that increase risk and uncertainty. Roads and railways are fixed assets, and particularly vulnerable to errors in forecasting demand. Demand cannot be tested with small experiments, only by completing the project. And since use builds up over the years, the new road or line is not immediately used at full capacity.

"Roads are the type of infrastructure to which the private sector can bring least added value," says Mr Roger Sainsbury, a director of John Mowlem, the construction company, who has worked on several transport projects. "The success or failure of a road is largely outside the control of the operator, and depends more on factors such as economic performance."

'The state should eliminate some risk before it hands a project to the private sector'

These characteristics mean that the payback period for the initial investment is both uncertain and lengthy. Project cash flows are likely to show low debt coverage ratios and little hope of dividends in the early years.

To these inherent uncertainties in transport projects must be added the risks created by the political pressures around new roads and railway lines and the delays created by the planning process. Yet the Treasury appears to want the private sector to assume all these risks and uncertainties, says Prof Ridley.

"Total risk transfer scares everyone away," he says. "The government will frighten off the private sector if it is too ideological about private finance."

The public sector's contribution to joint ventures might be lower if the government takes responsibility for some of the elements of risk which it can most easily control, according to Mr Richard Haycocks, a partner in the corporate finance department of Ernst & Young, the accountants. He says that the government needs to act as the promoter of infrastructure schemes, rather than putting the whole process out to tender and accepting the lowest bid.

"Unlike the private sector, the government has skills in road and rail planning," he says. "It also has the power to reduce risks without significant detriment to the public interest – for example by guaranteeing that no competing project will be built for a specified period."

The government should also be prepared to consider some element of indemnity, he says. For example it could underwrite a new toll road by guaranteeing a minimum level of toll income if use falls considerably below estimates during the first few years.

In return, the cost of private sector participation could fall significantly, according to Mr Sainsbury.

"It would be better for the taxpayer if the government carried the ball part of the way and eliminated some of the risks before handing it over to the private sector," he says. "Ministers must recognise that there is an optimum point at which risk can be transferred."

A further element of uncertainty is introduced by the government's reluctance to commit itself to transport projects, says Prof Ridley.

"Companies that devote resources to putting together their bids find that the project does not go ahead because none of the bids is high enough to bridge the gap between what the government is prepared to contribute and the total cost," he says.

This creates a no-prize competition which makes companies unwilling to bid.

"Contractors are prepared to lose competitions, but not if everybody loses. It would be far better to decide to go ahead with a project and then find the private sector partner best able to make a contribution."

Mr Haycocks agrees. He says that the government needs to identify two or three projects that it will fund as necessary and take them forward to the point where private sector finance can be raised.

Meanwhile, the chancellor should bear in mind the advice of Mowlem's Mr Sainsbury. If the government is serious about the private finance initiative, it must address the private sector's principal concerns: is there a project worth bidding for and is there a chance of winning it.

"Ministers can write the rules and mark out the pitch," he says. "But if the private sector doesn't want to play, the game won't happen."

Transport Infrastructure: Mobilising Private Investment. Chartered Institute of Transport, 80 Portland Place, London W1N 4DP.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Measures of pension solvency

From Mr Roy B. Colbran.

Sir, It seems premature for David Parsons (Letters, October 6) and others to say the Goode committee's proposals on solvency are unworkable. Equally, those who suggest that any problems can be solved by all the pension funds in the country purchasing derivatives, in what would become a one-way market, may not really have thought through the issues.

Goode has suggested a solvency test based on leaving service transfer values. The actuarial profession would be required to tighten up its guidelines on calculation of those values. Surely any such guidelines must allow for a market level adjustment if the bottom falls out of the equity market. There simply has to be a mechanism to prevent the position where virtually all UK final-salary schemes suddenly could be technically insolvent.

Of more concern is the proposal that solvency for pensioners should be measured by the price of buying annuities. A surprisingly large number of pension funds have already guaranteed increases at the lesser of 5 per cent or the rise in prices. There is no investment available to match that liability and mature funds with a high proportion of pensioners may well face problems if that solvency standard is adopted.

Roy B. Colbran,
chief actuary,
Buck Consultants,
10 Buckingham Place,
London SW1E 6HT.

A fifth possibility for the ERM

From Mr Julian Tapp

Sir, In your editorial "Way ahead for the ERM" (September 27), you suggested that there were only four intellectually defensible possibilities for the ERM. There is a fifth possibility that deserves a mention: to define the currency bands in real as opposed to nominal terms, making the adjustment on a monthly basis according to an appropriately defined current inflation differential.

Such a system would produce a convergence in real, as opposed to *nominal*, interest rates and would encourage counter-cyclical monetary policy rather than the tendency of the current system to act pro-cyclically. Exchange rate adjustments would be small, frequent, relatively predictable and immune from political interference. High inflation countries would not be able to use the system as an anti-inflationary anchor and would be forced to address structural factors that gave rise to their problem. Large misalignments would be avoided and the threat of discontinuity that speculative pressures render self-fulfilling would be avoided.

Attention would be focused on expected rates of inflation (and differentials) and would bolster commitment to inflation targets. Monetary union would come about as the result of a convergence in inflation rates rather than the misguided attempt to force a reversal of this process.

Julian Tapp,
group economist,
British Aerospace,
Farnborough Aerospace Centre,
Farnborough, Hants

Public service pay figures

From Mr John Sheldon.

Sir, The table that accompanied your report of the New Earnings Survey figures ("Pay rises faster in public sector", October 1) provided a misleading picture of pay increases for civil service executive officers and, if repeated in the other examples, may explain the apparently contradictory evidence of public sector pay movements.

Executive officers are shown to have received a pay increase of 5.2 per cent "in spite of the fact that many key public-sector groups had been affected by the government's 1.5 per cent pay limit when the pay data were compiled".

The reason for this apparent discrepancy is that the pay data are compiled in April each year, and in both years in question, the settlements were delayed. Therefore the comparison reflects the pay settlement in 1992. It is also distorted by compensation payments, required by law, made when the system of service-related annual increments was abolished.

Information gathered by the Office of Manpower Economics as part of our pay agreement showed that far from pay rising faster in the public sector, civil servants suffered compared with the private sector in 1991 and 1992.

The office's data would have shown it in 1993, only the government prevented publication in order to save itself further embarrassment.

On top of that, the chancellor now wants to make public servants the scapegoats for the failings of the government's economic policy, with extensive privatisation and a further year's wage freeze. It is an explosive cocktail.

John Sheldon,
general-secretary,
NUCPS,
124-130 Southwark Street,
London SE1 0TU

Dance clips

From Ms Joan Kunsch.

Sir, For a couple of years I have been receiving the clipped columns of your dance reviewer, Clement Crisp. They are first read in Hosle, Norway, then they fly to Torrington, a small Connecticut city which is the home of the Nutmeg Ballet, a training ground for students of classical ballet. From here the columns make their way to my colleagues: top designers, an author, a sculptor, musicians and others.

These dance reviews breathe with the liveliness of sharp-eyed observation and show a formidable background of knowledge and experience, a superb communicative zest and a combination of wit and truth. Bravo to Clement Crisp and to the publication that presents him.

Joan Kunsch,
associate director,
Nutmeg Ballet,
21 Walter Street,
Torrington, Ct 06790, US

Direct sales of goods and services to Israel not subject to boycott

From Mr Andrew Stone.

Sir, Your recent article ("A wait for hidden fruit", September 20) predicting the slow demise of the Arab economic boycott of Israel is timely and can only be helpful to British exporters. They continue to be concerned about adverse reaction from customers in Arab states who still might be applying aspects of the boycott to their trade in Israel.

Nevertheless, your blank phrase "companies are supposed to certify to Arab countries that they have no dealings with Israel" may continue to reinforce the perception of an all-encompassing boycott.

Our understanding, supported by the recent Department of Trade and Industry guidelines, is that direct sales of goods and services to Israel are not subject to any compliance.

This is apparent in the remarkable British trade record with Israel. With its small land mass and 5m population, Israel is in the top 30 of UK customers worldwide. Exports from the UK to Israel could reach £700m if this year's trend of a 50 per cent increase in the first seven months continues. This is for visible exports only and excludes the considerable business in financial services and tourism despite the pervasive psychological pressure of the boycott.

The DTI and our trade advisory group can offer confidential advice to companies with residual concerns.

For many hundreds of successful British exporters, the Israel market is already an important and successful one. The $60bn gross domestic product contrasts starkly with Jordan's GDP of $4bn.

Hopefully, the West Bank and Gaza will now have the opportunity to develop economically, too, giving benefits to its inhabitants and hopefully bringing peace and tranquillity to the region. As an important trading partner, Britain, through its world-famous exporting companies, can help this process.

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FINANCIAL TIMES
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Thursday October 7 1993

Irish manoeuvres

MR JOHN Hume, leader of the SDLP – the non-violent part of the nationalist movement in Northern Ireland – visits Dublin *today* to give the Irish government a full account of the bilateral talks he has been holding since April with Mr Gerry Adams of Sinn Fein (which represents the violent part), as well as a reaction from Washington where he has been sounding out his friends in the US Congress. The announcement 10 days ago that these talks had reached some kind of conclusion worth reporting to the Irish government has reawakened public interest in that most elusive of political goals, a peaceful settlement of the Northern Irish conflict. The precise content of the report remains private, but its purpose is clear: to devise a political process which would lead to the abandonment by the IRA of their armed struggle, and thereby to bring both strands of nationalism to the negotiating table.

Almost simultaneously, it became known the British and Irish governments were jointly drafting a constitutional settlement, to present this to the parties in the province before the end of the year, in which the Irish government would indicate a willingness to modify its constitutional claim to jurisdiction over Northern Ireland to an "aspiration".

To what extent the two events are linked is unclear, but the sudden publicity given to the second may well have resulted from anxiety in London to minimise the potential fall-out from the first. The British government has enough difficulty fending off the intense suspicion felt by Ulster Unionists about its contacts with Dublin. It knows that that suspicion is liable to become quite unmanageable if it appears at the same time to be negotiating, even indirectly, with the IRA.

Intense sensitivities

Sir Patrick Mayhew, Britain's Northern Ireland secretary, hurriedly confirmed there would be "no change whatever" in the province's constitutional status without the consent of its people. But he has neither condemned Mr Hume's talks with Sinn Fein, nor ruled out considering their outcome.

If these events signify that a peaceful settlement may indeed be moving, however tentatively, within reach, they also highlight the intense sensitivities on all sides to any perceived deviation from established political traditions in dealing with the Northern Ireland issue.

The Irish government, under pressure from Britain to alter articles two and three of the republic's constitution (those which lay claim to sovereignty over the whole island), can only do this by referendum, but fears a rebuff from the electorate if a change on such a delicate issue is not part of "an overall and balanced settlement". The premature disclosure of the latest Anglo-Irish talks could increase this risk, by making it sound as though Dublin is covertly plotting a deal in which the republic would be expected to give something for nothing.

Ringing endorsements

Dublin's anger and embarrassment at the disclosure is to be expected and perhaps explains the ringing endorsements of Mr Hume by no less than four Irish cabinet ministers including the Taoiseach, Mr Albert Reynolds, himself. Mr Reynolds has asked the Unionists "to suspend judgment" on the Hume-Adams talks until it becomes clear what the substance of their joint proposals is.

The Unionists are unlikely to hold their breath for long however, especially if the IRA continues with its bomb outrages, as it has done over the past week. Until there is, at least, an effective ceasefire, the idea of Mr Reynolds and Mr Hume considering peace proposals from Sinn Fein will simply reinforce the Unionist belief that all nationalists are the same under the skin, whatever their public statements about violence.

The Irish government, too, has it in its power to improve the atmosphere. It could do so by admitting publicly what many Irish politicians will say in private, namely that far from aspiring, let alone claiming, to govern the north, they regard any such prospect with trepidation. A statement to that effect would both give a clearer lead to public opinion in the republic – most of which would probably be more relieved than angered – and offer much-needed reassurance to the anxious majority in the north.

Ageism in the workplace

AGE DISCRIMINATION is rife throughout the European Community. That is the conclusion of a spate of reports published this year as part of the European Year of Older People, the most recent by the pressure group Eurolink Age. Top of its list of villainy is the practice of targeting employees over 50 for redundancy and retirement programmes. Also criticised are job advertisements specifying that candidates must be below a certain age – sometimes as young as 35.

The current interest in age discrimination is welcome. Ageism not only unfairly curtails individual opportunity. It will also become increasingly economically wasteful, as Europe's population ages. Older people capable of contributing to society may instead become a burden.

The Eurolink report blames older people's restricted employment opportunities largely on discriminatory attitudes. Too many employers believe that old people are not up to the job. There is also a widespread belief that older people's jobs are more expendable than young people's.

Although some people lose their ability and enthusiasm to work in their 50s, it is unfair to lump all older people into that category. Moreover, the idea that old people's jobs are more expendable than young people's rests on the assumption that economies have a fixed amount of work which must be rationed. This is fallacious, because in the long run more workers create more wealth which in turn creates more jobs. If people are fit, productive and want to work, age should be no bar. Instead of standard retirement ages, people should be free to agree with their employers when to retire according to their personal circumstances.

Declining industries

But discriminatory attitudes are not the only, or even the main, factor restricting older people's working opportunities. Take the sharp decline in employment rates among males aged 55-64 in most European Community countries during the 1980s. In the UK the rate fell by 12.2 percentage points, in Spain by 14.8 points and in France by 21.6 points.

Part of the explanation is that older people are being targeted for redundancy, but there are other reasons. Older workers are disproportionately concentrated in declining industries such as steel, mining and textiles. Meanwhile, many higher-paid workers are only too glad to retire early. Provided they do so willingly, this trend should be welcomed rather than resisted.

Even where older people are forced out of work against their will, it is often simplistic to point at discriminatory attitudes. Is it credible that companies are sacking masses of productive workers out of prejudice? A more plausible explanation is that institutional arrangements give them an artificial incentive to do so.

Cheaper youngsters

One such arrangement is the seniority system, under which older employees are commonly paid more than younger workers. As a result, it is often financially rational for companies to retire older staff and replace them with cheaper youngsters. This incentive is compounded by the structure of many company pension schemes, which require employers to fund greater entitlements for older workers. The fact that such pay-offs can often be financed tax-free makes them all the more attractive to employers.

Pension schemes can undermine opportunities for older people in other ways too. If pensions are based on final salaries, employees have a strong disincentive to move to part-time work as they get older even if they would prefer phased retirement to a sudden exit from the workforce. Phased retirement is also deterred by rules in some countries that prevent people drawing pensions while working.

An assault on age discrimination should certainly aim to change attitudes. But it is doubtful that altering attitudes on its own would substantially expand older people's job opportunities unless companies also had a financial interest in employing them. The best way of achieving that is through institutional changes such as making pension and retirement arrangements more flexible. This is where governments, companies and unions should focus their efforts.

Truly, widely and deeply

Japan's recession is exposing widespread structural problems in the economy, says William Dawkins

Japan is beginning to realise that its economic problems might run deeper than it had earlier imagined.

This is not like other recessions. Until now, Japan's postwar economic slowdowns were caused mainly by external shocks, such as the 1973 oil crisis or the rise in the value of the yen sparked by the 1985 Plaza accord to curb the appreciation of the dollar.

It was as if, in previous slowdowns, the economy had broken an arm, argues a senior executive at a leading Japanese securities house. The pain was intense, but the body remained healthy enough to ensure a quick recovery.

This time, though, the economy has a circulatory disorder, caused both by external shocks and internal weakness, he says. A cure will therefore be harder to find and convalescence will take longer than in the past.

A look at some of the latest indicators supports this diagnosis:

- Gross national product shrank by an annualised 2 per cent in the second quarter of this year. GNP in the current quarter is probably in decline too, which means Japan has slipped from an economic downturn into full recession.

Most private-sector economists believe growth for the full year will be less than 1 per cent, the fourth year running in which the pace of growth has slackened.

The previous occasion GNP faltered, in 1986, the economy recovered smartly in the following year. This time, recovery will come at the earliest in the second half of the tax year to March, according to official forecasts. Some private-sector economists believe recovery could be as far as a year away.

- Last week, the government reported a 2 per cent annualised fall in industrial output for August, down for the 23rd consecutive month, the longest decline on record. Inventories of unsold stocks continued to rise, by 0.7 per cent, the fourth monthly increase in a row.
- The jobs market shows no sign of pulling out of a two-year slide, illustrated by a fall in the number of jobs on offer to 70 per 100 applicants in August, from 72 in July, according to the Labour Ministry.
- Consumer confidence remains weak, with a 4.2 per cent decline in department store sales in August, the 15th month of decline, says the Ministry of International Trade and Industry.
- Companies will cut capital investment for the fourth year running in 1994, according to the Long Term Credit Bank of Japan, raising worries that industry's capacity to respond to an upturn in demand will be diminished.

The external pressures at work on the economy are well-known. The yen's more than 20 per cent rise against the dollar this year has saddled corporate Japan with heavy foreign exchange losses, Y1,000bn this year for the car industry alone, estimates Mr Yuichi Nakamura, president of Mitsubishi, the electronics goods and car group.

On top of this, industry faces a downturn in demand at home and in most of its main export markets, even in fast-developing China. The weakness of the domestic economy means demand for imports is sluggish, with the result that the trade surplus continues to rise, so pushing the yen higher.

As if that were not enough, evidence is mounting that the recession has uncovered structural problems in the economy that had been hidden by the steep rise in asset values that came to such an abrupt halt three years ago.

The new coalition government of Mr Morihiro Hosokawa has recognised this and done almost everything it can to stimulate growth. That includes deregulation measures, a Y6,150bn package of infrastructure spending and business loans. The Bank of Japan has helped with a three-quarter percentage point cut in official interest rates to a new low of 1.75 per cent.

The only thing Mr Hosokawa has not yet been able to do is to respond to corporate pressure for a cut in income tax, seen as a vital stimulus to depressed consumer spending.

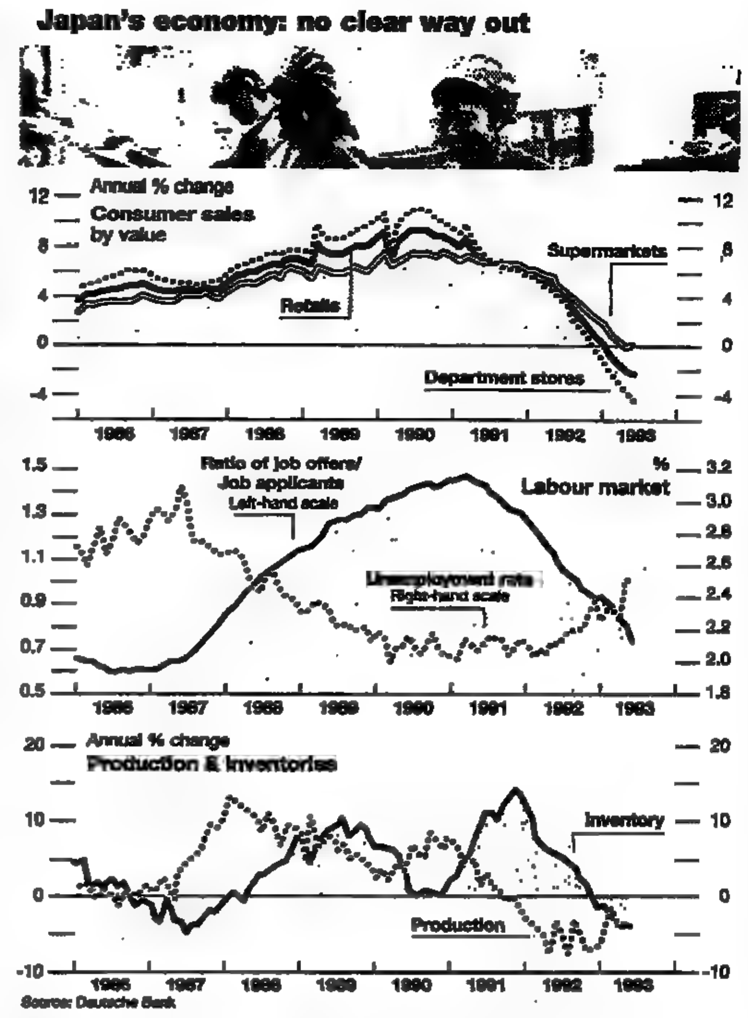
On the question of income tax cuts, the fragile coalition is deadlocked. The Social Democratic party, the largest coalition member, has refused to accept a rise in sales tax to fund any cut in income tax, which is seen as essential by most of its government partners and the powerful Ministry of Finance.

A compromise could emerge by the end of the year in the shape of an immediate income tax cut, to be funded by a rise in sales taxes in two years.

Corporate Japan's recognition of its structural weaknesses is evident in the speed with which it has acted to cut capacity, by contrast with previous short dowturns, when many companies preserved capacity and continued to invest in hope of better times.

The reduced capacity has brought a wave of job cuts, unprecedented in postwar times. This has provoked widespread fears that corporate Japan's tradition of jobs for life will break down. "The time of employment insecurity has come," warns a recent headline in the Asahi Shimbun, a daily newspaper.

Japan's economy: no clear way out



Source: Deutsche Bank

Cost-cutting by companies entered a new phase last month when NTT, the telecommunications group and a pillar of the industrial establishment, announced that it wanted to shed 10,000 staff, through voluntary retirement, by next year.

As expected, NTT's move further undermined the "jobs for life" ethos and encouraged others to follow; Toshiba is to cut 5,000 jobs, Honda 3,000, and Kawasaki Steel 3,200. Most of these job losses will take place over three to five years.

So far, Japanese companies have managed to avoid making widespread redundancies, relying instead on natural wastage. This has helped keep the unemployment rate steady at 2.5 per cent in August, but this figure excludes the variously estimated 800,000-1.2m employees who are surplus to companies' needs but are still kept on the payroll. How much longer their hard pressed employers, many facing a fourth year of profits decline, will be able to afford to retain so many surplus staff is uncertain.

The job market's weakness is a symptom of wider change in the industrial economy, as reflected by the continued shift of manufacturing capacity out of Japan to cheaper locations in south-east Asia.

Japanese companies' decision to relocate manufacturing to low-cost sites overseas is a response to the rise in the value of the yen and the long-term general pressure on costs as their markets mature. This trend, strongest in the consumer electronics and car industries, clearly cannot be reversed once the domestic economic recovers.

These developments have fuelled a debate on which new industry, if any, will provide the fresh engine of growth to compensate for the maturity of the *consumer electronics and car* sectors. Japan's postwar success in planning shifts in industrial dominance from textiles to shipping, then to cars and electronics, is being put to a fresh test. Planners at Miti and at a special government panel are working overtime on this question. There are no clear answers yet.

Another structural weakness revealed by Japan's recession is the sclerotic state of the banking system. Banks are still scarred by the collapse in asset prices that came with the start of the downturn. This left banks with heavy bad debts, in some cases worryingly concentrated with a handful of top customers. A sharp decline in new lending which began three years ago shows no signs of easing.

Officially, bad debts account for 3 per cent of the leading banks' loans, though the proportion rises to nearly 10 per cent if the more stringent US definition of what constitutes a bad loan is applied, says Ms Alicia Ogawa, investment analyst at Salomon Brothers Asia, the securities house.

The economic consequence of all these structural problems – the surplus workforce, the industrial economy's maturity and the banking system's weakness – is to diminish Japan's future growth potential.

When consumer and corporate confidence does recover, probably some time in the second half of next year, Japan will settle down to an average annual growth rate of 2.5 per cent-3 per cent, compared with 3.5 per cent-4 per cent in the 1980s, forecasts Mr Peter Tasker, chief strategist at securities house Kleinwort Benson in Tokyo.

Most economists agree with him. So do Japanese companies, as reflected by their cuts in capital investment and capacity. Whether they have cut too much is questionable. But one thing is certain. Japan will emerge from recession to face unprecedented challenges to the economic priorities that have assured its success for the past 30 years.

Recipe for revival

Nicholas Lander on signs of hope for UK restaurants

Tomorrow Sir Terence Conran, the designer, opens the Butler's Wharf Chophouse, his sixth London restaurant. It is his fourth on the site, near Tower Bridge, owned by the failed Butler's Wharf property company – making Ernst & Young, the receiver, Sir Terence's landlord.

This juxtaposition of busy restaurants, unpaid bills and receivers is all too common. There is hardly a food wholesaler or wine merchant in the UK who has not had this year's profits severely dented by overdue payments from, or the liquidation of, one or more restaurant customers. In the past 12 months there have been 235 receiverships in the country's hotel and catering industry. According to Val Brown, 49 years in the wine trade and chairman of Heyman Brothers, the wine merchants, the last two years have been "the bloodiest on record".

Yet many restaurants today are full and have almost forgotten that, nine months ago, gloom and doom were the only items on the menu. Last week's Fifth Restaurant Show in London, which attracted a record 6,000 chefs and 190 exhibitors, even had a panel discussion confidently entitled "Planning for the next recession".

Such a rapid transformation from empty restaurants to busy has surprised many chefs. When Martin Lam opened Ransome's Dock in Battersea, south London, a year ago, his sights were low: "My hope was merely to survive, to break even during 1993. But when the 12 shareholders who financed my restaurant under a Business Expansion Scheme met last week for our first anniversary dinner, it was to celebrate a small profit."

This type of establishment – family-run, seating 40-50 customers, and open six and a half days a week – has been the most successful in adapting to today's economy. Restaurants are now expected to provide good value lunches, even for corporate clients, and more sophisticated dinners – potentially more profitable, but not too expensive – for those living nearby. Restaurant overheads today are too high to allow for any empty tables.

So many restaurants have been able to adapt so quickly – although many outside city centres are still struggling – because of the restaurant industry's structure. Although the headlines and column inches are invariably grabbed by London's Kensington Place, the Ivy and Planet Hollywood (which has created 350 jobs and will achieve a turnover in excess of £15m in its first year, serving more than 3,000 customers a day), most restaurants are small businesses. They are not the "mom and pop" affairs of yesteryear, but professional businesses run by husbands and wives or, more successfully perhaps, by two or three partners who share the burden of a business open 18 hours a day, seven days a week, and then go their respective ways home.

Since January, several different developments have allowed restaurateurs to feel optimistic, and enabled many restaurants to open.

The first was the spate of newspaper-led restaurant promotions, initiated by the FT's Lunch for a Fiver, which filled restaurants during the normally quiet first quarter of the year. This taught restaurant owners a lesson in arithmetic – lower prices mixed with higher volume can be a recipe for success.

Having survived the first quarter, restaurateurs had an unexpected bonus – a wet spring and summer. When the sun shines, restaurant bookings slump, but this year barbecues and picnics did not seem to be inviting alternatives. According to Judy Markwick, of Markwick's restaurant in Bristol: "Every month has been better than the previous one since January, and the summer was wonderful. We have learnt the importance of price, too. Our two-course menu is down from £14.50 to £10.50 this year but overall turnover is up 30-40 per cent."

The continuing fall in the property market has also helped, by restricting rises in every restaurant's major fixed cost, the rent. It has also prompted landlords to offer rent-free periods of six to nine months, allowing several restaurants, such as the Big Night Out in north London, to open on sites considered previously uneconomic. One potential restaurant site in the City, 10,000 sq ft on the ground floor of a new development near Liverpool Street, was recently offered with the first year rent free.

This development, together with the government's legislation splitting the brewing industry from its tied houses, has given the opportunity to many chefs, formerly employed in restaurants or hotels, to open their own restaurants in what were once public houses. The quality of the food now being served at the Eagle, the Gloucester and the French Dining Room in London, for example, may set a trend for good, unpretentious food at reasonable prices.

The fact that Christmas bookings are already running at a much higher level than last year adds to the sense of optimism. But before December, the best trading month of the year, there is an obstacle to be negotiated: the November Budget. Rises in valued-added tax and indirect taxes would immediately lead to higher restaurant bills.

Many UK restaurateurs have survived the recession by cutting costs and reducing prices – bringing them more in line with those elsewhere in Europe and the US. A sprinkling of economic pragmatism should also enable them to cope with whatever the Budget brings.

OBSERVER

If the chips are down

Hong Kong's political class being long of lawyers and terribly short of characters, Chim Pui Chung, the local legislature's representative for the financial and insurance industry, easily steals the limelight in the latter category.

When Chim, a noted stock market punter and big-time gambler, was elected to the legislature in 1991, he bought himself a gold Rolls-Royce – just to show that he was not entering politics to get rich but already was.

Yesterday Chim took out half a page in the business press to give an "advance appraisal" of Governor Chris Patten's state-of-the-colony speech due later in the day, expounding on favourite themes such as the need for the UK and China to resolve their differences over the colony's future.

More original was a suggestion to unblock the political impasse surrounding Hong Kong's HK\$165bn airport project. Funding for the project could be raised by leasing outlying islands for casinos, says Chim, who is presumably tiring of the long ride to Las Vegas.

Be prepared

■ Boy scout meetings may not be the most obvious source of stock market tips, but shares in Chemical Bank roared ahead yesterday after a gathering the previous evening of the Greater New York Councils of the Boy Scouts of America.

Having just been sworn in as president of the movement, which aims to give boys a disciplined start in life, John McGillicuddy, the bank's chairman and chief executive, must temporarily have forgotten the famous scouting motto. So industrious Reuters journalist Alison Rea, who had sat through an hour-long ceremony at New York's Waldorf Astoria hotel, was duly rewarded when she walked up to McGillicuddy afterwards. At least two weeks in advance of the official results, the boss let slip that Chemical would be expecting record profits in the third quarter.

Abashed Chemical spokesman John Myers had to agree that McGillicuddy had been quoted correctly, but understandably declined to elaborate.

Foreign face

■ In selecting a little-known council member as the Bundesbank's "foreign minister", Hans Tietmeyer, who took control of the German central bank at the beginning of this month, has signalled that he has no intention of relinquishing control of the institution's international relations.

Ever since Tietmeyer came to the Bundesbank in 1990, the two departments, currency issues and foreign, have been his bailiwick, a role which involves representing the bank in such crucial forums as the EC monetary committee and at IMF meetings. In this capacity, Tietmeyer, with his highly-tuned international antennae, was very much his own man, as Karl Otto Pöhl, president when Tietmeyer joined, rapidly discovered.

So it comes as no surprise that a relative newcomer to the board, Bavarian Helmut Schieber, takes on the mantle in the new regime. A career Bundesbank man of 29 years service, Schieber has worked his way up at the regional central bank of Baden-Württemberg, becoming its vice president in 1985. He has only been a member of the central bank directorate since June.

Buba watchers attempting to interpret the smoke signals emerging from Frankfurt following the handover will therefore have to contain themselves in patience a little longer.

'Which fringe meeting calling for unity shall we go to tonight?'

Mucha do

■ Why has Norddeutsche Landesbank chosen the works of Alphonse Mucha, the Art Nouveau poster artist, for its first big art promotion in the UK? Easy. The artist's grandson, John Mucha, is head of corporate affairs in the London office of the Hanover-based bank. Who better to secure Geraldine Mucha, his mother, for years residing in Prague, for the dinner marking the opening of the Barbican show?

Though he made his name in Paris in the 1890s with posters for Sarah Bernhardt, Alphonse Mucha turns out to have been a fervent Czech nationalist who lived long enough to mark the 10th anniversary of Czechoslovak Independence in 1928 with an enormous wall-painting called "the Apotheosis of the Slavs". His son Jiři became an RAF pilot during the second world war two, and returned to Prague in 1945 with his English bride.

Now widowed, Geraldine Mucha rashly urged her London audience to visit her Prague apartment which still houses the poster artist's extensive collection. "Do ring up first," she urged. "Otherwise I might be out shopping."

Cash in hand

■ Severely strapped for cash, Conservative party officials are having to become pretty resourceful in their quest to turn an extra penny. But the prize so far must go to the loyal workers in treasury minister Stephen Dorrell's seat of Loughborough.

They are spending the week at the annual conference seeking out prominent Euro-sceptics to autograph Teresa Gorman's new book, The Bastards, billed as the inside story of the Euro-sceptics' revolt against Maastricht "and how the government stamped it out". The plan is to auction the embellished tome to raise money for Dorrell's local constituency.

Signatures assembled to date include those of trade and industry minister Neil Hamilton, Lord Tebbit, the former party chairman, who further identifies himself as "one who knows who his father is", and John Carlisle, the MP for Luton North, who appends the legend "barmy". Thatcherite chief treasury secretary Michael Portillo is understood to have declined to lend his name to the endeavour.

The views of ardently pro-European Dorrell on this display of local initiative are not known.

FINANCIAL TIMES
Thursday October 7 1993

Europe on track for Emu says Bonn finance chief

By Andrew Gowers and Quentin Peel in Bonn

EUROPE remains on track for economic and monetary union, in spite of the August upheaval in the exchange rate mechanism of the European Monetary System, Germany's top finance official said yesterday.

Mr Gert Haller, recently appointed state secretary in the finance ministry, said all the EC member states which kept their currencies close together within the broad band ERM after August 2 had proved justified in resisting calls for rapid interest rate cuts.

"It proves that those countries are determined to pursue a sensible financial and monetary policy, even without the [narrow band] exchange rate corset," he said in an interview with the Financial Times. "If we carry on like this to next year, we won't need this corset. Then it will be no problem to get back to narrow bands eventually."

He said he was looking for three conclusions from the special EC summit planned for October 29. The first was a statement that "things are not going badly in monetary Europe". The second was to allow the situation to "develop calmly without any grand new schemes".

The third and highest priority was for the EC member states to commit themselves to pursuing economic policies aimed at ever-greater convergence, which would allow the Emu programme to remain within its timetable, aimed at eventual union by 1999.

Mr Haller, one of Germany's key negotiators for Emu in the Maastricht treaty, said it was impossible to predict what the situation would be like in 1999, and admitted that the second phase of Emu, due to begin on January 1, might last longer than foreseen. He said it was essential to keep as restricted as possible the "grey area" of monetary policy responsibility, when central banks will exist alongside the planned European monetary institute.

At the meeting on Monday of the EC monetary committee, Mr Haller pointed out that long-term interest rates had fallen in all those EC member states which had kept their currencies close together since August 2, with the exception of Belgium and Ireland, which remained stable. "That is also a sign that the market is convinced that the member states will continue to follow a reasonable, stability-oriented monetary policy," he said.

He defended in particular the French government for refusing to cut its interest rates too swiftly. "What would the French have gained if they had gone for short-term interest rate cuts?" he asked. "They would have incurred exchange rate risks. The markets have a memory like an elephant. The French would have made a mess of their reputation for a very long time."

Mr Haller was given a baptism of fire as state secretary, when he had to attend the EC monetary committee on August 2 to resolve the ERM crisis. He confirmed he was the first to propose the move to a wider fluctuation band from the former 2.5 per cent band.

The broad bands within the ERM meant currency speculators now faced currency risk in the opposite direction to the former narrow bands. As a result they have been much less willing to speculate. He would not forecast when the narrow band "corset" might be reintroduced, but insisted: "It will not be a problem."

French institute says growth will be slower than expected

By David Buchan in Paris

FRANCE is soon likely to experience a further drop in economic activity, and it will only pick up in the second half of next year thanks to a belated German recovery, OFCE, a leading Paris forecasting institute, said yesterday.

OFCE predicts that France's gross domestic product will grow by only 0.3 per cent in 1994, far below the government's median forecast of 1.4 per cent growth.

The reason for the slow predicted growth is that the economy in Germany, the country's major partner, will not recover until late 1994, and even then first in German exports rather than imports.

In last month's presentation of its 1994 budget plan, the government gave a revival in foreign demand for French goods as its main reason for sticking to its 1.4 per cent growth estimate.

In the shorter term, OFCE is also more pessimistic than the government. It predicts that economic activity, stable in July-September after four successive quarters of decline, will now fall again by 0.2 per cent in the last quarter of this year and in the first three months of 1994.

France may thus suffer a "double dip" recession, because the government's very modest fiscal reflation this year and next – unsupported by any real relaxation so far in monetary policy – may not be enough to break the vicious circle between consumers' and companies' expectations of rising unemployment, their consequent disinclination to spend and invest and the knock-on effect that this has in the form of job lay-offs.

The upshot, according to OFCE, is that unemployment will continue to rise, to 3.4m, or 12.4 per cent of the workforce, by the end of this year and to 3.7m, or 13.6 per cent, by end-1994. Mr Jean-Paul Fitoussi, head of OFCE, said the government's five-year employment law, which cleared the national assembly on Tuesday, and which introduces some new flexibility into pay rates and work patterns, was a move in the right direction, but not radical enough to shorten the dole queues much in the short term.

The absence of any clear panacea for France's chronic unemployment is now making the political debate less partisan. Mrs Martine Aubry, labour minister in the last Socialist government, unveiled on Tuesday night a new foundation to research employment issues.

It has an initial FFr39m ($6.9m) capital provided by a number of company chairmen, many of them on the right in French politics.

Pension reform planned, Page 2

Yeltsin confirms election date

Continued from Page 1

ing it included "the avoidance of war and the peaceful regulation of international conflicts while honouring the sovereignty and territorial integrity of states, non-interference in their internal affairs and the maintenance of state borders" – a clause apparently aimed at the role of the Russian military in conflicts in the former Soviet states.

Plan to close Seat plant

Continued from Page 1

of the company's 23,300 jobs. But his fate was apparently sealed in August when he informed Mr Piëch that Seat losses this year, originally forecast at around DM250m, would soar to DM1.25bn.

A statement from the Madrid government said Mr Piëch and Mr Serra had agreed to "find a solution which involves a significant increase in productivity in order that Seat recovers its competitivity." That is likely to mean that VW will insist on the loss of most of the jobs at Zona Franca, although some workers may be found places at Seat's new plant at Martorell, around 30km from Barcelona.

The statement added that Mr Serra had insisted – and that Mr Piëch had generally agreed – that any solution "should strengthen the business capacity of Seat in the automobile market".

Spending cuts split Major's cabinet

By Philip Stephens, Political Editor, in Blackpool

A FIERCE struggle has broken out in the British cabinet over attempts to cut defence and welfare spending to help meet public spending targets for the next three years.

Mr Malcolm Rifkind, the defence secretary, is demanding a full-scale review of Britain's armed forces if the Treasury refuses to drop its demands for further cuts in his budget.

Mr Peter Lilley, social services secretary, is understood to have rejected a demand from Mr Kenneth Clarke, the chancellor of the exchequer, for radical reductions in a range of welfare benefits.

Several other departments have been forced already to concede in principal deep cuts in their budgets for the next three years. But senior government officials said that the gulf between Mr Rifkind and Mr Lilley on one side of the argument and the Treasury on the other amounted to billions of pounds.

The transport department's roads programme, the environment department's housing and urban regeneration budgets and the government's subsidy for local authorities are emerging as the main victims.

The education and health budgets also face a tough squeeze but have so far escaped the worst of the cuts required to meet a freeze in real terms on overall spending for the two financial years 1994-95 to 1995-96. For 1996-97 the plans allow for an inflation-adjusted increase of 1 per cent.

Officials said the row over defence and social security had stalled the work of EDX, the cabinet committee charged with sharing out the spending cake. Until the two departments reached a settlement it would be impossible to finalise other budgets.

Mr Clarke admitted at the weekend that the bargaining in EDX had left "blood on the carpet." Mr Rifkind also alluded to the struggle in a speech to the ruling Conservative party's annual conference.

The defence secretary warned that the cuts in armed forces spending agreed following the end of the cold war had left the £23bn ($35bn) defence budget at close to its acceptable limit.

Mr Rifkind, who earlier this year was forced into an embarassing U-turn to save two threatened army regiments, has told the Treasury that the additional savings it is seeking over the next three years would seriously undermine UK defence strategy.

For his part, Mr Lilley has rejected Treasury demands for reductions in his £80bn budget going well beyond an agreed clampdown on invalidity benefit. Among the radical options under discussion in EDX are the "means-testing" or taxing of child benefit and the transfer to employers of responsibility for sickness and industrial injury benefits.

THE LEX COLUMN

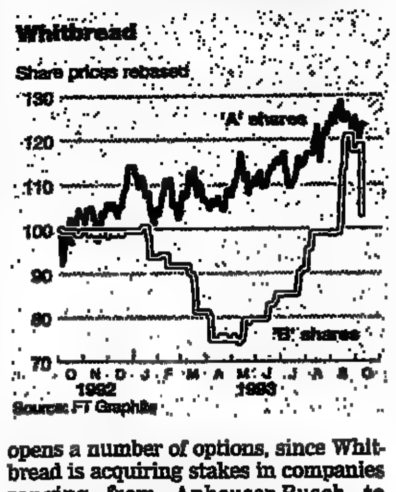
Germany at new peaks

There is an aura of unreality in the flirtation of the DAX index with the 2,000 level. German corporate earnings are expected to rebound sharply next year as restructuring charges fall away and the effect of cost-cutting takes hold. But after rising by nearly 50 per cent so far this year, the market is trading on a 1994 multiple of nearly 20. That leaves little room for anything to go wrong in a year when rising unemployment will ensure consumer confidence remains weak and election uncertainties will overshadow an already weak fiscal position.

A more plausible reason for the strength of the equity and bond markets is the simple weight of liquidity. Money supply growth of around 7 per cent is far higher than needed to finance the output which is actually being achieved. Some of the surplus is finding its way into financial assets. The received wisdom in Frankfurt is that there is room for further gains, particularly in equities, as money market rates fall. At some point, though, such confidence must give way to renewed concern about inflation.

At present the Bundesbank can still point to low bond yields as evidence that inflationary expectations remain muted. If, however, the froth in the equity market spilled over into property prices, worries about an asset price bubble, which have recently surfaced in the US, would look much more applicable to Germany. Monetary easing would then stop dead in its tracks. That would be bad news indeed for the many industrial companies whose liquidity has been eroded by weak revenues and the cost of redundancy payments.

FT-SE Index: 3100.8 (+15.6)



Whitbread

It was only a matter of time before Whitbread's poison pill got in the way of its ambition. Enfranchising restricted voting shares and buying out the majority in the investment company leaves Whitbread as vulnerable to takeover as its peers. If institutional investors are more willing to hold the shares, though, it will enjoy easier access to the equity market. The offer for the investment company will add at most £250m debt to the balance sheet – and probably much less – so there is no immediate need for a rights issue. But there can be no doubting Whitbread's intention to use its new-found freedom should it spy a large acquisition through the glass in the bottom of its tankard.

Buying the investment company opens a number of options, since Whitbread is acquiring stakes in companies ranging from Anheuser-Busch to Vaux. The large holdings in Boddington, Brakspear and Marston must anyway be reduced to comply with the beer orders. While the investment company was happy as a passive shareholder, it is less clear that Whitbread should maintain even its permitted 15 per cent stake in each. That points to either divestment over time or a full bid.

The response of the regional brewers' shares suggests the market is more worried about an overhang of stock than excited by the prospect of a bid. That may prove premature. Whitbread might value either Boddington's estate or Marston's strong regional brand. Neither would represent a giant leap forward in retailing or leisure. But having missed out on Chef & Brewer and set its face against overseas expansion, Whitbread may have to be content for now with progress in small steps.

Bank of Scotland

Bank of Scotland continues to reap the rewards of prudence. A 39 per cent increase in interim operating profits before provisions represents a fine performance, especially as there was little benefit from windfall foreign exchange gains or overseas income. However, much of the growth came from wider spreads on its £5bn mortgage book. That advantage will last only as long as interest rates stay down.

Of more permanent value is Bank of Scotland's continuing reduction in its cost to income ratio, which now stands at 49.6 per cent – way below that of all London-based clearing banks. But it will become progressively tougher to trim the ratio further to generate income growth. Moreover, with problem loans representing a relatively low proportion of total lending, Bank of Scotland will benefit less from declining bad debts than more reckless rivals.

But as banks start to accumulate surplus capital in the upswing, attention will increasingly focus on how they intend to use it. Bank of Scotland is of the old school in believing good money can be made from lending. It promises to use its capital strength for further expansion into England without building up a costly branch network. Its progress may be unspectacular, but the strategy is a good deal less risky than Abbey National's modish foray into derivatives.

Invergordon

Potential conflicts of interest abound in the debate over Invergordon's future. Fleming Investment Management holds the deciding stake, and is negotiating with Whyte & Mackay to sell Invergordon's birthright. Yet it has to call in S G Warburg as an adviser because its sister company is Invergordon's adviser. Meanwhile the apparently downbeat view of Warburg Securities' analysts is hardly helpful to Warburg's corporate finance efforts on behalf of the vendor.

All that should not detract from the seriousness of the situation. If FIM agrees a price with Whyte, it will trigger a full bid, but the issue will effectively have been decided since, thanks to its existing stake, Whyte will have more than 50 per cent of the votes. In that case neither other shareholders nor the company's management will have had a full opportunity to express their views. FIM will have effectively negotiated on everyone else's behalf and two shareholders will have decided for everyone. It would be more satisfactory if Whyte, having noted FIM's interest, decided either that it did not want to bid at present, or put a formal offer into the market open to all shareholders.

The difficulty, unsurprisingly, is over price. Whyte seems determined not to overpay while the market is talking the price higher than the previous failed bid. Yet any bid should be determined by what Whyte is prepared to pay set against the management's view of business prospects. Currently shareholders are being denied both pieces of information.

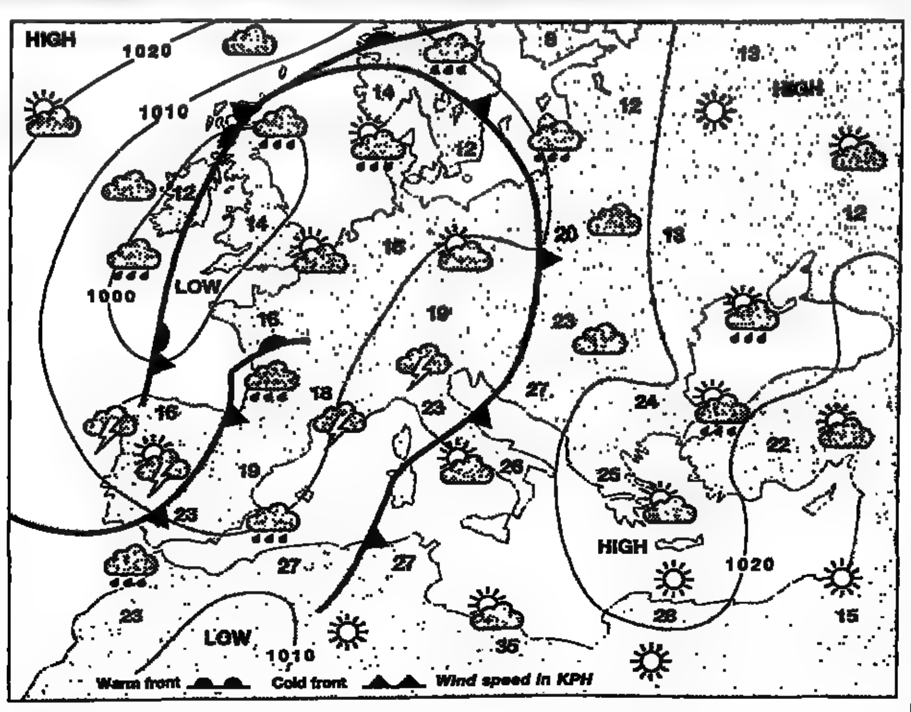
FT WORLD WEATHER

Europe today

The persistent low just off southern Ireland will continue to grip western Europe. Showers will develop easily in the cool, moist and unstable air mass. North-west Spain and parts of Portugal will have intermittent showers and thunder. Temperatures will stay particularly low along the Atlantic coast. Showery, cool and cloudy conditions will prevail over France, parts of the Low Countries and the British Isles. Excessive precipitation is expected along the southern slopes of the Alps and in parts of northern Italy. Cloud and rain will persist over southern Scandinavia. Central and eastern Europe will have some sunshine with only a few scattered showers.

Five-day forecast

The low close to Ireland will slowly weaken and dissipate by Saturday. However, low pressure areas arriving from the Atlantic will result in changeable conditions over the British Isles and western France. A frontal disturbance will trigger rain, showers and thunder over central Europe on Friday and Saturday. From Sunday, increasing high pressure over the continent will bring drier conditions. Fog will develop overnight and persist through the morning .



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	fair	31
Algiers	fair	27
Amsterdam	shower	16
Athens	sun	27
B. Aires	sun	24
B.ham	shower	13
Bangkok	shower	33
Barcelona	fair	20
Beijing	fair	24
Belfast	rain	12
Belgrade	fair	28
Berlin	fair	20
Bermuda	fair	25
Bogota	shower	19
Bombay	fair	32
Brussels	fair	17
Budapest	fair	23
C.hagen	fair	15
Cairo	sun	29
Cape Town	fair	26
Caracas	fair	27
Cardiff	shower	13
Chicago	fair	27
Cologne	fair	17
D' Salaam	cloudy	31
Dakar	sun	31
Dallas	fair	29
Delhi	sun	35
Dubai	sun	35
Dublin	rain	12
Dubrovnik	fair	25
Edinburgh	rain	13
Faro	shower	21
Frankfurt	fair	18
Geneva	rain	16
Gibraltar	shower	22
Glasgow	rain	13
Hamburg	fair	17
Helsinki	shower	8
Hong Kong	sun	27
Honolulu	fair	31
Istanbul	sun	22
Jersey	shower	15
Karachi	sun	33
Kuwait	sun	37
L. Angeles	sun	25
Las Palmas	fair	25
Lima	cloudy	21
Lisbon	shower	17
London	fair	15
Lux.bourg	cloudy	15
Lyon	rain	20
Madeira	fair	23
Madrid	thund	14
Majorca	shower	23
Malta	sun	28
Manchester	shower	14
Manila	thund	28
Melbourne	rain	22
Mexico City	fair	17
Miami	thund	31
Milan	rain	18
Montreal	shower	18
Moscow	fair	12
Munich	fair	18
Nairobi	fair	27
Naples	fair	26
Nassau	fair	31
New York	fair	25
Nice	shower	19
Nicosia	sun	29
Oslo	rain	12
Paris	shower	18
Perth	fair	17
Prague	fair	19
Rangoon	shower	33
Reykjavik	cloudy	8
Rio	shower	32
Riyadh	sun	38
Rome	fair	25
S. Frsco	sun	24
Seoul	fair	19
Singapore	cloudy	29
Stockholm	rain	12
Strasbourg	shower	19
Sydney	sun	23
Tangier	cloudy	21
Tel Aviv	sun	27
Tokyo	rain	18
Toronto	cloudy	25
Tunis	sun	30
Vancouver	fair	15
Venice	thund	20
Vienna	fair	22
Warsaw	fair	20
Washington	sun	27
Wellington	cloudy	15
Winnipeg	fair	8
Zurich	shower	16

FINANCIAL TIMES
COMPANIES & MARKETS

INSIDE

Better results from Société Générale

The troubled French banking industry had some good news yesterday when Société Générale announced a 9.2 per cent increase in net profits for the first half. French banks have been hurt by a sluggish credit market and the impact of the recession. Page 18

Credit Suisse closures

Only 62 domestic branches of Credit Suisse will be closed following the bank's SFr1.6bn ($1.1bn) takeover of Swiss Volksbank - significantly fewer than the 100 to 150 forecast at the time of the takeover. Page 19

Grampian profits fall to £10.8m

Grampian Holdings, the Glasgow-based mini-conglomerate, has reported a fall in interim pre-tax profits from £10.8m ($16.30m) to £2.05m. Page 23

Receivers tackle Canadian units

Two Canadian companies with links to the UK's Wallace Smith Trust group have been put into receivership. The move is part of an effort by creditors to recover as much as they can from the group, which collapsed in 1991. Page 19

Berlusconi shuffles top jobs

Plans to raise about L550bn ($348m) through a share floatation have prompted Mr Silvio Berlusconi, the Italian media mogul, to carry out a management reshuffle in his family-controlled Fininvest group. Page 19

HK Telecom calls poacher

Mr Peter Howell-Davies is a poacher turned gamekeeper. The former senior manager of Mercury Communications, the company that is challenging British Telecom's UK monopoly, is charged with protecting Hongkong Telecom's monopoly from the coming of competition. Page 19

Villagers lose their ground

In the 1970s the communist authorities in East Germany decided that the village of Horno should be flattened to make way for the mining of brown coal. With German unification, the villagers hoped for a reprieve. But now Laubag, the company that mines the brown coal fields in the area appears determined to press ahead with the plan. Page 24

Peru and Sri Lanka join team

Peru and Sri Lanka take their places in the IFC's emerging markets investable indices for the first time this week, raising the number of markets covered to 20. The IFC also intends to issue data on Zimbabwe and China in the new year. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Holzmann Ph	909	+	12
Industrie Werke	346	+	7
Schmalbach Lub	335.5	+	11.5
Sud Chemie	470	+	13
Falls			
Berliner Kraft	213	−	11
Bilf & Berger	898.5	−	11.5
NEW YORK ($)			
Rises			
Chase Manhattan	37⅞	+	½
Goodyear Tire	46½	+	1½
Intel	71⅝	+	1⅝
Motorola	100⅛	+	1¼
Falls			
Adv Micro	21¼	−	½
Nike	45	−	1
PARIS (FFr)			
Rises			
BIC	1214	+	42
Radiotechn	375	+	25
UFB Locabail	398	+	13.1
Vallourec	214.5	+	16.5
Falls			
Club Med	376	−	16
Intertechnique	540	−	17
TOKYO (Yen)			
Rises			
Fuji Kisen	362	+	32
Meitec	1300	+	200
Nippon Steel	339	+	[illegible]
Tokyo Gas	535	+	20
Tokyo Kikai		+	
Falls			
Hirabo	426	−	29

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Austin Reed	149	+	17
Barry Wehmiller	165	+	6
Brit Bloodstock	77	+	10
CALA	108	+	12
Cohen (A) A	350	+	37
Drummond	47	+	3
FKI	168	+	7
Fenner	110	+	8
Hewden-Stuart	158	+	16
Kelt Energy	44	+	3
Lyles (S)	79	+	5
Sirdar	146	+	9
Smith (WH) A	461	+	13
Tepnel Diagn	199	+	12
Time Products	230	+	9
Whitbread Inv	743	+	53
Whitegate Leis	43½	+	4½
Falls			
Amber Day	56	−	14
Brit Aerospace	399	−	12
David Brown	216	−	7
Gold Greenlees	[illegible]	−	50
JJ	110	−	5
SEET	58	−	4
Whitbread B	1200	−	188

Allianz reveals stakes worth DM9bn

By David Waller in Frankfurt

ALLIANZ, Europe's largest insurance company, yesterday disclosed the biggest of its extensive holdings in German and foreign companies, showing a combined market value of DM8.9bn ($5.5bn) at the end of June.

The Munich-based group, which has long had a reputation for secrecy, followed Daimler-Benz's decision to publish its accounts according to US Generally Accepted Accounting Principles as part of its listing on the New York Stock Exchange. Earlier this year German banks also moved to more open accounting.

Together, these developments represent an opening up of corporate Germany and increased awareness of the information needs of international institutional investors.

The holdings, disclosed at the shareholders' meeting in Munich, include: a 14.4 per cent stake in BASF, one the big-three German chemical companies; a 14.8 per cent stake in Linde, one of Germany's biggest insurance companies; a 12.8 per cent stake in RWE, the Düsseldorf-based utilities conglomerate; and a 12.1 per cent stake in Veba, the energy-based conglomerate.

Allianz also disclosed a 16.9 per cent stake in the BHF Bank, one of Germany's most influential banks, and a 12 per cent stake in the Düsseldorf-based IKB Deutsche Industriebank. There were also sizeable stakes in other German companies and a number of French industrial and financial services companies.

Disclosures were limited to stakes of 10 per cent or above. Allianz has already revealed a 22 per cent stake in Dresdner Bank, Germany's second biggest bank, and 20 per cent of the Bayerische Hypo-Bank, another large bank. It also owns 25 per cent of Munich Re, the world's largest reinsurance company.

It is known that Allianz is the largest shareholder in Deutsche Bank, Germany's biggest bank, but as this holding did not appear on the list the holding is below 10 per cent, but worth several billion D-Marks.

Allianz's disclosures shed light on an investment portfolio which was worth DM184bn at the end of last year at book value alone. They helped trigger a DM32 rise in the Allianz share price yesterday, to close at DM2740. This followed a DM127 gain on Tuesday.

The announcement pre-empted changes in German securities markets law, to be introduced next year, which will bring the disclosure requirement in Germany down from a threshold of 20 to 25 per cent to 5 per cent or less. It also follows a recent court-ruling which obliged Siemens, the Munich-based electricals and electronics group, to make similar disclosures.

The revelations flesh out details of Allianz's role at the heart of German finance and industry.

Mr Henning Schulte-Noelle, chief executive, said premium income for the group in 1993 would rise 14 per cent to more than DM62bn. For the first six months premium income rose 21.5 per cent to DM33.3bn.

BNP offer to institutions 12 times over-subscribed

By Alice Rawsthorn in Paris

THE SALE of shares in Banque Nationale de Paris to institutional investors has been more than 12 times over-subscribed, causing the French Government to close the offer after only two days.

The economy ministry said that the "strength and speed" of the institutions' response to the issue – the first in the government's privatisation drive – had forced it to bring that part of the BNP sale to an early close. The original deadline for institutional subscriptions was October 12, the same as for the public offer.

The ministry has no plans to close the public part of the sale, which values the bank at FFr43bn by selling its shares at FFr240 each. The ministry declined to comment on the level of subscriptions received so far from individual investors. However, banking sources suggest that public demand for BNP shares has also been high.

French and foreign institutions subscribed for around FFr100bn of BNP shares in the first two days of the offer, against the FFr8.3bn of equity allocated to them. Under the original offer terms the government reserved 12.12m shares, or 17 per cent of the total issue, for French institutions and 22.5m shares, or 31 per cent, for foreign institutions.

However the number of shares available to institutions could be reduced by up to 9.5m if demand from individual investors strong enough to trigger the clawback measure.

The success of the BNP sale is critical to the prospects for the rest of the centre-right government's privatisation programme, which could run to 21 companies including the Rhône-Poulenc chemicals company and Elf-Aquitaine oil group.

Analysts have interpreted the keen pricing of BNP's shares as a tactical ploy to ensure that the issue was a success. The eventual share price of FFr240 was significantly lower than the stock market's initial estimates of between FFr250 and FFr275.

Philip Rawstorne reports on the UK brewer's changes to bring it in line with leading public companies

Whitbread reforms to grant investors equal voting rights

WHITBREAD, the UK brewing, retailing and leisure group, yesterday announced proposals for reforming its 45-year-old share structure to give equal voting rights to all shareholders.

It also intends to acquire the 51 per cent outstanding stake in the Whitbread Investment Company, an associate set up in 1956 to protect a number of regional brewers from takeover.

The share offer values WIC at about £482.6m ($729m), or 765p a share, with a cash alternative worth 743p. WIC's shares rose from 690p to 743p yesterday.

Sir Michael Angus, Whitbread chairman, said the moves would bring the share structure into line with other leading public companies and provide greater flexibility for the group. "These two transactions will reinforce the transformation which has taken place at Whitbread in recent years."

Institutions have long pressed for changes in the outdated dual-share structure, which has given holders of B shares 20 times the votes of A holders. It was devised as a safeguard against takeover when Whitbread was a family-controlled brewer. But today the family holds only 10.8 per cent of the voting rights.

A single class of shares will now be created by a capitalisation issue giving 1.27 new A shares for every B share to compensate for the elimination of the superior voting rights.

The move will give Whitbread easier access to market funds as well as providing shareholders with greater liquidity and marketability of their shares.

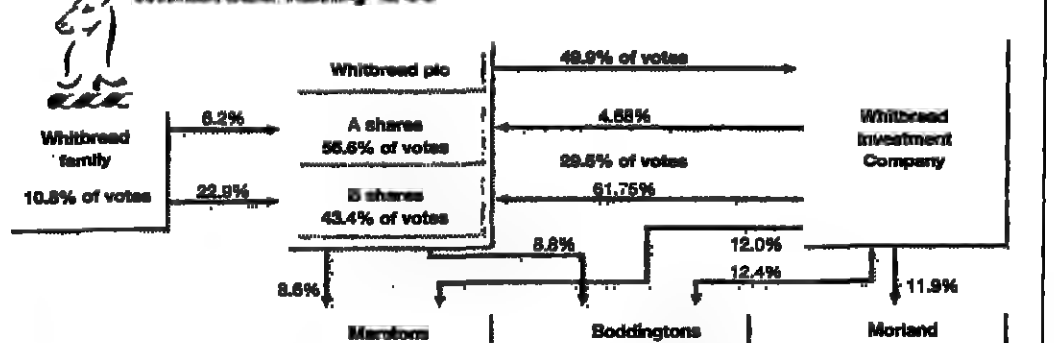
Sir Michael said: "It is our intention to make further investment in the development of our businesses and to make further acquisitions."

Whitbread will review its options on WIC's investment portfolio, worth more than £250m after the deal. It seems likely to sell stakes in leading UK brewers and retailers, such as Guinness (£10m) GrandMet (£7.8m), Bass (£6.6m) and Allied-Lyons (£4.5m), as well as smaller holdings in companies such as Rank, Forte and Cadbury Schweppes.

Whitbread B shares fell from 1388p to 1300p yesterday, while the A shares closed unchanged at 534p. Both closing prices were in line with the formula for valuing WIC, whose 30 per cent stake in Whitbread is being unwound.

Lex, Page 16

Whitbread family tree



Source: Barclay de Zoete Wedd

Freeing its hand to shop around

By Philip Rawstorne

Whitbread's restructuring frees it from its past as a family brewer and gives it flexibility to pursue its strategic development in retailing and leisure.

The move had been widely expected since Sir Michael Angus took over as chairman last year from Mr Samuel Whitbread, whose ancestor founded the business at the Goat Brewhouse in London in 1742.

The family, with 10.8 per cent of the voting rights, had long ago ceded control. But the dual share structure and the cross-holdings in Whitbread Investment Company continued to put a brake on expansion.

The share structure had been devised in 1948 as a safeguard against takeover threats, but was out of tune with contemporary thinking on shareholders' rights, restricting Whitbread's ability to raise funds in the market.

The Whitbread Investment was set up in 1956 when a number of regional brewers turned to Whitbread for help in resisting takeover bids, notably from an acquisitive Bass. Whitbread bought minority stakes, usually in deals which included an agreement to stock its beers. Several of the regional brewers concerned – including Flowers, Fremlins and Castle Eden – became part of the Whitbread group in the 1960s.

The UK Monopolies and Mergers Commission inquiry into the brewing industry changed the competitive climate, and Whitbread was forced to reduce its stakes in regional brewers and pub-owners.

It became increasingly obvious that the complex and confusing structures were a drag on the group's development. Mr John Spicer, analyst at Warburg Securities, says this helps to explain "Whitbread's slippage in size behind other leading companies in the drinks sector over the past 10 years. Some opportunities for sizeable acquisitions may have been missed."

Losing to Scottish & Newcastle in the bidding for GrandMet's Chef & Brewer chain of pubs last month was a blow – though Mr Peter Jarvis, chief executive, said "the price GrandMet was looking for and our valuation were never in the same ball park".

With the completion of the reforms, Whitbread will not only gain readier access to funds through equity issues, but also instant access to WIC's investment portfolio.

That includes – apart from nearly £200m of shares in Whitbread which will be cancelled – £250m of shares in more than a score of companies. Much of this portfolio could be sold to raise cash, though stakes are likely to be kept in regional brewers and pub operators to underpin Whitbread's trading links.

Though speculation continues about Whitbread's eventual exit from brewing, Mr Jarvis said that he was "comfortable" with its present performance.

His prime objective, however, is likely to be the continuing reinforcement of Whitbread's position as one of the UK's leading retailers. The group's eyes are now clearly on Forte's Harvester chain. "We are very interested," Mr Jarvis said.

As the country's second largest operator in the eating-out market, Whitbread aims to continue the growth achieved in its Beefeater chain with the acquisition of Berni, and the development of Pizza Hut. It also plans to expand its Travel Inn budget hotels and the Thresher chain of off-licences.

Farewell to Hong Kong

SIR WILLIAM PURVES, chairman of HSBC Holdings, is pictured yesterday on his last day at work based in Hong Kong. Sir William, whose bank acquired Midland Bank last year, will transfer to London from next week. His return will complete the transfer of HSBC's headquarters.

The bank is expected to hold board meetings in Hong Kong and Japan as well as London. The transfer of its headquarters was agreed with the Bank of England as a condition for the approval of the Midland acquisition.

Shares in BAe fall on Taiwan doubts

By Daniel Green in London and Dennis Engbarth in Taipei

BRITISH Aerospace shares fell for the second day running yesterday amid growing fears that a proposed venture to build aircraft in Taiwan would not go ahead. The shares closed at 399p, down 12p.

BAe said the Taiwanese government still backed the deal. But BAe's joint venture partner, Taiwan Aerospace Corporation (TAC), confirmed that the deal's future would be discussed at a board meeting on October 19. "There will be a report and a discussion, but it is hard to say whether there will be a clear decision," said TAC.

In addition, Taiwanese opposition politicians have stepped up their pressure on the government to cancel the deal. They accuse it of putting industrial strategy ahead of commercial good sense.

Collapse of the joint venture, Avro, would undermine BAe's plans to improve profits: the RJ regional jets lose money for the company. BAe had hoped to return them to profitability by moving some production to Taiwan. It could also leave the company about £300m ($453m) worse off, according to estimates.

In the short term, BAe would lose the £120m that Taiwan would pay for the assets BAe is putting into Avro. It would have to make most of the 4,000 working on the RJ in the UK redundant, costing another £60m. Over the medium term, there could be additional costs associated with leases on RJ aircraft and their predecessors, the 146 range, of about another £100m.

Avro's defenders argue that the recent opposition in Taiwan to the deal is part of an attempt to wring further concessions from BAe. These could involve transferring more manufacturing to Taiwan or a guarantee to design a new aircraft, the RJ-X.

They also point out that the damage would not be as severe as it might have been earlier this year. "BAe's balance sheet would be considerably more able to cope with the failure of Avro than a year ago. It was practically a forced seller of the RJ business then," said Mr Paul Ruddle, analyst with NatWest Markets. "The cash cost of losing the deal has already been covered by the [£250m] sale [to US company Raytheon in June] of the corporate jets business."

SocGen advance lightens gloom over French banks

By Alice Rawsthorn in Paris

SOCIETE Générale, one of France's largest banks, yesterday lightened the gloom over the French banking sector by announcing a 9.2 per cent increase in net profits to FFr2.16bn ($380.6m) in the first half of 1993, from FFr1.98bn in the same period of last year.

Mr Marc Viénot, chairman, said the group should produce good results for the full financial year. "It's hard to imagine that 1993's result will be less than that of 1992," he added. Société Générale produced net profits of FFr3.55bn on net banking income of FFr36.45bn in 1992.

The French banking industry has been under pressure because of the sluggish state of the credit market and the impact of recession.

Several leading banks have recently announced disappointing first-half results. Paribas, the investment banking group, last week reported static interim profits, while Crédit Lyonnais, the state-controlled bank, last month reported a FFr1.05bn loss.

Société Générale managed to overcome the pressures on industry due to strong performances from its international interests and trading activities. Mr Viénot said the bank had benefited from the development of its interest-rate and foreign exchange instruments.

Net banking income increased by 9.5 per cent to FFr20.22bn in the first six months of 1993 from FFr18.46bn at the same stage in 1992. However, costs rose 4.5 per cent to FFr13.53bn from FFr12.95bn due to increased investment. Gross operating profits rose 21.3 per cent to FFr6.69bn from FFr5.52bn.

The bank made a loss of FFr106m on financial transactions, against a FFr789m gain in the first half of last year when it received FFr525m from the sale of shares in Perrier mineral water.

However, the group raised interim provisions by 3.2 per cent to FFr3.53bn from FFr3.42bn, due mainly to write-downs on its exposure to LDC debt and to sour commercial loans in France.

Crédit Mutuel chief optimistic

By Alice Rawsthorn

CREDIT Mutuel, the French bank, hopes to "maintain or possibly increase" net profits for 1993 compared with last year, in spite of the competitive state of the banking market.

Mr Etienne Pflimlin, chairman, likened the current condition of the sector to that of the "first oil shock in autumn 1973". However, he said his group had managed to increase market share and hoped at least to maintain net profits at the same level as 1992's FFr1.5bn ($264.3m).

Crédit Mutuel, which is the fifth largest retail banking network in France, has been affected by the sluggish demand for credit, according to the chairman. The French credit market has been depressed by the impact of high real interest rates, in spite of recent rate reductions.

Mr Pflimlin identified the farming sector as an area of potential market share gains. He said his group should win share at the expense of Crédit Agricole, the co-operative farmers' bank, which he described as a "dinosaur".

Crédit Mutuel also plans to extend its branch network. It intends this year to set up new offices in Lyon, Bordeaux, Toulouse and Nancy.

Bank of Scotland rises 58%

By John Gapper, Banking Editor

HIGHER loan margins and increased fees helped Bank of Scotland raise interim pre-tax profits 58 per cent to £117.6m ($176m), from £74.2m, in spite of being hampered by weak loan demand.

Economic recovery enabled provisions for bad debts to be lowered 25 per cent to £174.4m in the six months to August 31, compared with the second half of last year. But this was still 26 per cent up on the first half of last year.

Assets such as loans rose only 1 per cent on the second half of last year to £29.4bn, well within the bank's self-imposed limit of 5 per cent asset growth for the year.

Mr Bruce Pattullo, governor and chief executive, had been surprised by the "extremely weak" loan demand. As a result, assets might well expand this year by less than the 5 per cent limit it had set in order to maintain its capital adequacy ratio. He said improvements in management and the reshaping of the bank over the past three years had started "to come through to the bottom line".

Bad debt provisions should continue to fall in the second half. This would be helped by some release of provisions as it sold assets such as distressed companies which it had helped to continue trading.

Operating profits before bad debt provisions rose 39 per cent to £288.2m. Net interest income rose 22 per cent to £376.1m compared with £307.3m and non-interest income rose 24 per cent rise to £186.5m against £150m.

The rise in net interest income was achieved by increasing the average margin on loans from 2.37 per cent to 2.57 per cent. This was reflected in a widening of the spread between interest charged on assets and paid on liabilities. Mr Pattullo said margins on syndicated loans to large corporate customers were starting to narrow.

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Victoire warns of sharp fall in profits

By Alice Rawsthorn

VICTOIRE, the French insurance company which is the subject of a quarrel between the Suez holding company and Union des Assurances de Paris (UAP) insurance group, yesterday warned of a sharp fall in full-year profits due to the problems of Baltica, the Danish insurer.

The future of Victoire, which yesterday also reported a 41 per cent fall in net profits to FFr275m ($48.5m) in the first half of this year, from FFr470m in the same period of 1992, was flung into doubt when Suez, its majority shareholder, last week announced that it had resumed negotiations with UAP about its minority holding.

UAP, the largest French insurer, has for some time been anxious to exchange its Victoire shares for control of Colonia, the latter's German subsidiary.

The resumption of talks between Suez and UAP has come at a sensitive time for Victoire. This is the second successive year in which Victoire has been badly affected by the difficulties of the loss-making Baltica. The company holds a 23 per cent stake in Baltica.

UK funds buy Uralita stake

By Tom Burns in Madrid

A GROUP of UK funds, led by Scottish Widows, have paid Pta7.6bn ($58m) to acquire a 15 per cent stake held by Grupo March, one of Spain's leading private holdings, in Uralita, the loss-making domestic chemical and construction materials conglomerate.

Scottish Widows, which purchased slightly less than 5 per cent, was the biggest of Uralita's new shareholders. AB Asesores, the Madrid securities firm which was the adviser and lead manager in the transaction, did not identify the other UK investors.

Swedes split over 'foreign invasion'

Surge in inward investment has sparked debate, writes **Hugh Carnegy**

THE RESURGENT argument in Sweden this week over the merger of Volvo's car and truck operations with Renault of France has highlighted a wider debate about a growing trend of foreign influence in Swedish industry.

Volvo's plan to hand over its automotive business to Renault, in exchange for a 35 per cent share of the merged company, has excited most comment because of Volvo's position as the traditional champion of Sweden's impressive industrial base. But anxiety over the fate of Volvo has been fuelled by a perception that it presages a flow of control of industry out of a country weakened by three years of recession.

The bid by Scandinavian Airlines System (SAS), which like Volvo has suffered heavy losses recently, to combine forces under the Alcazar project with three other European airlines is a prominent example. Although only one-third Swedish owned, SAS is headquartered in Stockholm and, until last week, was led by a Swede, Mr Jan Carlzon. He has already stepped down at SAS and if Alcazar goes ahead, Stockholm will become no more than a branch feeder to the new alliance's main hubs elsewhere.

Less obvious, but no less significant, has been a dramatic surge in foreign investment in Swedish companies in the last year through the Stockholm stock exchange. The relaxation of restrictions on foreign buyers of Swedish shares – the last of which were scrapped at the beginning of this year – and the sharp devaluation of the Swedish krona have combined to produce unprecedented levels of overseas investment.

In the first eight months of this year, foreigners accounted for 28 per cent of the SKr186bn ($23bn) turnover on the stock exchange, pushing up the foreign share of the market's total capitalisation to some 24 per cent. In 1991, the level was just 10 per cent.

The impact on many of Sweden's blue-chip companies has been striking. Foreigners hold 44 per cent of the capital in Ericsson, the telecommunications company, compared with 27 per cent at the end of last year.

In Astra, the pharmaceuticals giant, the level is now 38 per cent; in SKF, the ball-bearing maker, it is 34 per cent; and in Electrolux, the white goods manufacturer, 26 per cent. In Scandinaviska Enskilda Banken, foreign holdings have jumped from 3 per cent to 15 per cent this year.

Inevitably, perhaps, this trend has produced an emotional response among many Swedes, which culminated in a revealing outburst last week at a private gathering by Mr Leif Ostling, president of the truck maker Scania. He called the Volvo-Renault deal a tragedy, condemned Mr Pehr Gyllenhammar, the Volvo chief, as "Sweden's biggest destroyer of industry" and said Swedes were "spineless" for not speaking out.

But while many acknowledge a similar gut reaction, the considered analysis of the government, trade unions, business organisations and shareholders is very different.

The centre-right government of Prime Minister Carl Bildt, the Social Democratic opposition and the labour unions continue to support the Volvo-Renault merger. Nor did it escape notice at Volvo that Saab, the carmaking sister company of Scania, has only survived because of a 50 per cent share taken by General Motors of the US, which now runs the company under a British chief executive.

Aktiespararna, the small shareholders' association which opposes the Volvo-Renault deal, is doing so because of its doubts about the valuation of Volvo assets in the merger and worries about the privatisation of Renault, not the principle of Volvo becoming a junior partner to the French company.

"In principle we are for an international society – an open society with no borders where you can move your capital as you want," says Mr Lars-Erik Forsgardh, president of Aktiespararna.

Mr Bjorn Karlin, head of an organisation that promotes shareholding, points out that Sweden has until recently had relatively low levels of foreign investment for a country with such a large number of international companies.

With local capital investment at a low ebb because of the recession, and with a need for Sweden, which is applying to join the European Community, to integrate more closely into the European economy, Mr Karlin says foreign ownership is widely supported.

"You will not find any real opposition in political and business circles. Our companies have an urgent need for risk capital and the money is not available in this country," he says.

Moreover, Swedish companies have themselves been eager acquirers of foreign companies in recent years – notably in the forestry sector.

Previous mergers, like the combination of Asea with Switzerland's Brown Boveri and the merger of Avesta with the stainless steel division of British Steel to form Avesta Sheffield, have led to strengthened groups in which Swedish interests have remained prominent.

Of course, as in the case of Volvo, there are worries that jobs will leak abroad when Swedish companies come under foreign influence or control.

But Mr Per-Olav Edin, chief economist at LO, the blue-collar trade union federation, takes a sober view of this, explaining that the LO accepts that companies must act in their own interests, not those of the country.

"Yes we are all sad about Volvo. But if you are rational you have to accept the necessity of the merger. We in Sweden have been too dependent on Volvo and Saab. In the long run employment will fall in these sectors. It has a better chance to be managed smoothly this way. Our members are better off in this new situation."

Volvo defends merger

VOLVO yesterday insisted that its merger agreement with Renault was the best deal available for its shareholders, Hugh Carnegy writes.

Rejecting a call from Aktiespararna, the Swedish small shareholders' association, for the deal to be blocked at a shareholders' meeting on November 9, Volvo said that the merger agreed last month had won widespread support.

"The board of Volvo, the board of Renault, the French government, the government of Sweden, all the trade unions in Sweden and all the leading politicians have said that this is a good deal and that it is important that it takes place," a spokesman said.

Aktiespararna, which represents about 10 per cent of Volvo's shareholders, faces an uphill battle to block the merger. With Renault holding more than 8 per cent of the Volvo parent and at least a further 15 per cent held by investment companies and institutions seen as being close to the company, it admits that many of the larger shareholders see no alternative to the merger.

However, the association has taken heart from its successful campaign in 1977 to win support for its objections to a proposal to sell a 40 per cent share in Volvo to Norway in exchange for oil concessions.

Aktiespararna said that it supported continued collaboration between Renault and Volvo's vehicle operations. But it objected to the merger on the grounds that it suspected the terms undervalued Volvo's car and truck operations, and because the French government had not set a specific timetable for the privatisation of Renault.

Volvo said that the commitment of the French government to privatise Renault after the merger was not in doubt. The company admitted that a detailed prospectus for shareholders, which Volvo will publish later this month, would not set a value "on each and every part of the company".

However, a spokesman said the 35 per cent of the merged company to be held by Volvo would yield "much better" returns than the truck and car operations would on their current basis.

Wallace Smith Canadian units put into receivership

By Bernard Simon in Toronto

THE liquidator of Wallace Smith Trust group, the UK-based banking and finance group formerly controlled by Mr Wallace Duncan Smith, has put two Canadian companies with links to the group into receivership.

The move against the Canadian units is part of a multi-pronged effort by creditors to recover as much as they can of the estimated £100m ($149.3m) deficiency in assets which was discovered in the group when it collapsed in early 1991.

Mr Smith, who is a Canadian citizen, has been charged with fraud by the Serious Fraud Office in the UK.

His trial is expected to start at the Old Bailey in London on November 15. He is on bail of £250,000.

The appointment of the receiver in Canada, like much of the winding-up process in the UK, has been marked by a flurry of legal claims.

The liquidator, KPMG Peat Marwick, is claiming substantial damages from Royal Bank of Scotland and National Westminster Bank, as well as from Coopers & Lybrand, the Wallace Smith group's auditor. The main creditors include Crédit Lyonnais, Tokio Reinsurance of Japan, DG Bank and Banca Commerciale Italiana.

In separate actions, the Toronto-based companies in receivership, Wallace Smith Group and Wallace Smith & Co, have filed two suits against KPMG for a total of £3.3m.

One of the claims alleges that the liquidator has unfairly interrupted the business of the Canadian companies.

These companies continued to operate for several months as brokers in North American money market instruments after the collapse of Wallace Smith Trust in the UK. Another Toronto-based company, Wallace Smith Securities, was placed in receivership last October.

The Canadian companies put into receivership are in a relatively sound financial position, with net assets estimated at C$4m (US$3.1m).

However, Mr Philip Wallace, a partner at KPMG, said yesterday that "our concern is to avoid wasteful spending of money on proceedings which we don't think would help anybody".

Mr Wallace said that the purpose of appointing the receiver, who is an independent accountant, was to ensure that "all the litigation gets sorted out in as cost-effective a way as possible".

The creditors of the two Canadian companies are mostly other companies in the Wallace Smith group, as well as employees and professional advisers.

The group set up by Mr Smith and his family is an intricate web of companies which included three UK-based trusts.

Below each of the trusts were several layers of operating and non-operating companies.

The precise relationship between the UK and Canadian branches is among the points of dispute between KPMG and the management of the Canadian companies.

Mr Nick Press, an American consultant who has acted as chief executive of the Canadian group, said that the trading links between the two were minimal and dividend flows non-existent.

Volksbank branches survive takeover

By Ian Rodger in Bern

CREDIT SUISSE said only 62 domestic branches would be closed following its SFr1.6bn (US$1.1bn) takeover of Swiss Volksbank in March, significantly fewer than the 100 to 150 forecast at the time of the takeover.

The benefits of the merger were proceeding more rapidly than expected, and the bank expected a SFr65m operating profit gain from it this year, Mr Josef Ackermann, the chief executive, said at a press conference. "We are confident that we will achieve the planned SFr250m annual improvement in operating results by the end of 1995. In the medium term, we should do even better," he said.

He added that the bank's operating results in the third quarter continued to be "very good", but warned that provisions for bad loans would remain high because of the recession in Switzerland.

The new branch plan means that the two banks together have the largest network in Switzerland, with 332 outlets. The group has chosen to cut 35 Credit Suisse branches, but only 27 Volksbank branches, reflecting Volksbank's stronger presence in Swiss retail banking. Volksbank would continue to be represented throughout the country while Credit Suisse would concentrate on the larger centres and tourist resorts where its international reputation would be a competitive benefit.

The original forecast of 2,000 job losses arising from the merger still held, but the bank hoped to avoid compulsory redundancies, Mr Victor Erne, personnel director, said.

The more modest branch cuts and extraordinary efforts to prevent compulsory redundancies appear to reflect the bank's sensitivity to public resentment of its high profitability at a time of deep recession in Switzerland.

Berlusconi appoints Fininvest chief

By Robert Graham in Rome

MR Silvio Berlusconi, the Italian media mogul, has carried out a management reshuffle in his family-controlled Fininvest group.

He has brought in Mr Franco Tatò, from the Mondadori publishing subsidiary, to take on the new job of group managing director.

Mr Tatò, aged 61, has a reputation as a tough manager with broad experience having worked for long spells at Olivetti as well as in Germany's Triumph Adler.

This is the first time Mr Berlusconi has sought to bring in a manager with wide overall responsibilities in an organisation which has reflected Mr Berlusconi's personality.

The move has been prompted by plans to raise about L550bn ($348m) through the flotation of a minority stake in Mr Berlusconi's publishing interests. These are being regrouped in Silvio Berlusconi Editore (Sbe)-Mondadori via a reverse takeover of Mondadori.

The Sbe flotation will take place within a matter of weeks, Fininvest said.

Mr Berlusconi's bankers have been pressing for firmer executive control as the group's debt rises and interest charges eat into profits.

The group's published borrowings at the end of last year stood at L3,333bn while profits totalled L21bn.

Rising debts come at a time of flat television advertising revenues while the structure of Italy's commercial television networks, dominated by Fininvest, is under discussion.

First-half results for 1993 show a turnover up 14 per cent to L6,268bn with an end-year figure likely to be in the range of L12,000bn. But this, in part, reflects acquisitions and consolidations to the balance sheet.

The cost of debt service at about L550bn is hampering any increase in profits.

● Candy, the white goods producer, is to take over the domestic refrigerator and freezer division of Iberna, a small specialist producer based near Milan.

The deal is expected to add half a percentage point to Candy's 6 per cent share of the European white goods market. Although Iberna only produces about 250,000 domestic freezers/refrigerators, it has an important specialist market niche.

Candy, controlled by the Fumagalli family, will be able to use its distribution network and exploit its brand name.

Iberna, controlled by the Valesei family, is understood to have had a 1992 turnover of L200bn. It will retain its industrial refrigerator division.

Mercurial times for HK telecoms

Simon Holberton assesses the aims of a poacher turned gamekeeper

Peter Howell-Davies describes himself as a "catalyst". In management-speak he would be called a "change agent". He is both of these but he is also a poacher turned gamekeeper.

Mr Howell-Davies, the former deputy chief executive of Mercury Communications, the telecoms company owned by Cable & Wireless that is challenging British Telecom's UK monopoly, is now in Hong Kong charged with protecting Hongkong Telecom's monopoly from competition.

By mid-1995 a second, and possibly a third, telecoms company will have been licensed to compete with Hongkong Telecom – which is controlled by Cable & Wireless – in the Hong Kong domestic market.

Mr Howell-Davies, deputy chief executive of Hongkong Telecom since February, does not dispute the poacher turned gamekeeper tag: "I've been through – and have scars to prove it – starting up, growing a business, and competing with a large and well-established business. I should therefore have some idea what the second network may try and do or want to do."

This week he has been explaining to senior management his plan to meet the challenge posed by the onset of this competition. Mr Howell-Davies plans to do in two years what took established telecoms companies elsewhere five or 10 years: that is, radically altering how Hongkong Telecom deals with its customers.

The company's structure, which was split along functional and product lines, is being changed so that all aspects of the business which "touch" customers will be centralised in an enlarged sales and marketing division. That reformed division will itself be segmented into three business units reflecting different customer needs.

When Mr Howell-Davies came to Hong Kong, he found an organisation used to the ways of a monopoly.

"Hongkong Telecom has operated in an exclusive franchise environment. It has been relatively inward looking and it was not very nimble. It has been a technology-driven company, like many of the large PTTs, and has been very successful at that.

"But it was recognised that the company needed to go through a change, like any monopoly needs to, if it's going to be able to operate in a competitive environment. It does need to become much more market-driven and much more customer-focused and have the ability to bring on new services much quicker than it has been done in the past. You need a catalyst in order to make changes."

The problem with Hongkong Telecom's previous structure, Mr Howell-Davies says, was that no one was accountable for what he calls the "end-to-end" provision of a service. No one, that is, until the problem got shunted to his office. "That was manifestly wrong in an organisation of this size and complexity," he says.

To deal with this, the reorganisation seeks to "recast the process of responsibility". This, he hopes, will mean that problems are looked at from the customer's perspective and not from a particular product or functional point of view.

When the reorganisation is complete, Mr Howell-Davies believes the company will be able to provide a one-stop service. "Sitting behind the account manager will be the people who are developing products for the customer and the people who will support the selling, installation and maintenance of the service."

The sales and marketing division – now 1,200 strong – will grow by 2,000. The enlarged workforce will service three "marketing business units" (MBUs): MBU1 will deal with the 1,000 largest customers; MBU2 with the 200,000 to 250,000 small and medium-sized company sector; and MBU3 with residential customers.

Howell-Davies: has scars, he says, to prove his credentials

Those most under threat will be the big business customers Mercury set its sights on in the UK when it started up

"Not all customers want the same service from Hongkong Telecom," he says. "Mrs Wong in the New Territories wants one type of telephony service from us and the Hongkong and Shanghai Bank want a very different portfolio of services. So we need to position, to structure ourselves to meet both their differing and legitimate requirements."

It is clear that Mr Howell-Davies expects competition from new entrants to be in niche areas, not an attempt to provide a ubiquitous service.

The segment of Hongkong Telecom's business most under threat will be the big business customers, those who Mercury set its sights on in the UK when it started up.

Competitors are circling. Although its monopoly in international telephony is secure until 2006, American Telephone and Telegraph has tied up with Hutchison Whampoa to provide value-added international services, such as E-mail; British Telecom is setting up a "node" for its Syncordia network; and it faces competition from Singapore Telecom for the hubbing of multi-national companies' international communications.

It faces competition in mobile communications, paging and value-added services. Since the summer, mobile operators have been able to interconnect with Hongkong Telecom's international service, sharing a percentage of the revenue accruing to outgoing calls and receiving a flat rate for incoming calls.

The change in corporate structure which Mr Howell-Davies told staff about this week is seen as the most important management reorganisation the company will conduct in advance of competition.

Hershey Foods chief steps down

HERSHEY Foods, the US chocolate producer, said that Mr Richard Zimmerman would step down as chairman and chief executive at the end of the year, writes Frank McGurty in New York.

Mr Kenneth Wolfe, president and chief operating officer, was elected by the board of directors as his successor. Mr Joseph Viviano, president of Hershey Chocolate US, will replace Mr Wolfe.

"These changes have been studied by the board over the past two years and are part of a planned, orderly succession," said Mr Zimmerman, who has headed the Pennsylvania-based company since 1985.

Hershey, which expects record earnings this year in spite of a slump in domestic candy sales, recently launched a white chocolate version of its Kisses candy. The new product, Hugs, is expected to generate annual sales of $100m.

Third-quarter results hit AMD share price

By Louise Kehoe in San Francisco

SHARES in US semiconductor manufacturer Advanced Micro Devices continued to fall yesterday following the company's announcement the previous day of third-quarter results that failed to live up to analysts' expectations.

At mid-session, AMD's share price had slipped $¾ to $21¼. Other semiconductor companies, such as Intel Motorola, 8 and Texas Instruments, which had followed AMD lower on Tuesday, were slightly higher in early trading yesterday.

AMD's third-quarter net income rose 25 per cent to $61.3m before preferred stock dividends, or 61 cents a share after dividend payments. In the same period last year net income was $49.1m, or 51 cents on the same basis. Revenues rose 17 per cent for the quarter, to $418.4m from $358.7m.

Analysts had forecast third-quarter income of about 66 cents a share, following second-quarter net earnings of 65 cents a share. AMD's share price drop reflected "downbeat" comments by company executives, analysts said.

However, Mr W. J. Sanders III, AMD chairman and chief executive, said the company had had "another outstanding quarter", noting that operating income rose more than 50 per cent compared with the same period last year. "We are on track to achieve a third consecutive year of record sales and earnings," said Mr Sanders.

Revenues were boosted by sales of AMD's latest "clone" of the Intel microprocessors used in personal computers. Sales of 486 microprocessors more than offset declining sales of the 386 microprocessor and seasonally slow sales of most other product lines, AMD said. AMD is involved in legal battles with Intel over intellectual property rights and has shadowed its success in the microprocessor market.

Canadian freight merger in prospect

CANADIAN PACIFIC and Canadian National want to merge or create a joint venture of their eastern Canada freight operations by next spring to staunch losses, writes Robert Gibbens in Montreal.

CP's chairman, Mr William Stinson, told analysts that negotiations for linking up both systems were well advanced and the new federal government being elected on October 25 would be pressed for quick approval. The eastern Canada rail operations of both companies have been losing money for two years.

DMR confident of revenue growth

DMR GROUP, an international information technology group, says strength in its North American operations and better results in Europe will ensure solid revenue growth and sustained improvement in profitability this year, writes Robert Gibbens.

In the first quarter to August 31, revenues climbed 13 per cent to C$61m (US$47m) and net profit 10 per cent to C$837,000, or 6 cents a share.

Coca-Cola unit in bottle deal

By Nikki Tait in Sydney

COCA-COLA Amatil, the stock market - listed Australian snacks and beverage group in which Atlanta-based Coca-Cola holds a majority stake, plans to acquire control of an Indonesian bottling company, P. T. Djaya Beverage Bottling. It is paying about US$46m.

DBBC is the Coca-Cola franchise bottler for Jakarta and adjacent parts of the Jakarta metropolitan area, one of the most heavily populated and prosperous centres in the region, and has about 30 per cent of Coca-Cola system sales in Indonesia.

CCA already owns 49 per cent interests in two other Indonesian joint venture bottling companies – Pan Java and Tirtalina – with about half the system sales.

CCA will acquire DBBC in exchange for shares. The majority shareholder in DBBC is Indonesian Bottlers (IBL), which will receive 5.88m shares in CCA.

The two minority shareholders are Coca-Cola Holdings (Asia), which has a 29 per cent interest and Mikuni Coca-Cola Bottling Company with about 20 per cent.

At current stock market prices for CCA and ruling exchange rates, they are expected to receive about 1.6m shares and 1.1m shares respectively.

The deal is subject to various regulatory approvals. Assuming it is completed as planned, the interest held by Coca-Cola in the US in Coca-Cola Amatil will be slightly diluted, but will remain above the 50 per cent level.

CCA shares rose slightly yesterday, to A$8.60.

● Amcor, the paper and packaging group, expects that the A$415m (US$276m) acquisition of Associated Pulp and Paper Mills, the pulp and paper arm of North Broken Hill Peko, will improve both its overall profits and its earnings per share.

Amcor said the purchase should be completed at the end of this month.

SEC tightens order flow rulings

By Patrick Harverson in New York

THE US Securities and Exchange Commission voted yesterday in favour of new rules that would require stock brokers to disclose to their customers whenever they receive payments for diverting stock orders to market-making firms.

The practice of brokers steering business to market-makers in return for money or payment in kind, known as "payment for order flow", has been the subject of controversy for several years.

The big established US exchanges such as the New York and American stock exchanges have vigorously attacked payment for order flow.

When brokers are paid by marketmakers to divert business their way, it is usually at the expense of the big exchanges, whose members lose the opportunity to execute the buy and sell orders for brokers and their customers. Marketmakers are willing to pay for business because they can make money every time they handle a stock order.

From now on, brokers will have to reveal on the confirmation slips they send out to customers if they have been paid cash or received a rebate or reduced fee to divert the order to a marketmaker.

Although payment for order flow remains legal, the SEC has left the door open for an ban on the practice. Customers will now know whenever their brokers receive payments for diverting their orders away from the exchanges, and if enough of them complain to the SEC about the practice, the agency may decide to put a stop to payment for order flow for good.

Soros takes undisclosed investment in Viatel

By Andrew Adonis

MR George Soros, the international financier, has made an investment in Viatel, a small but fast-growing private telecommunications services company which plans to come to market in London and New York next year.

Viatel, founded two years ago by Mr Martin Varsavsky, a New York-based entrepreneur, sells software-based telecommunications services, mainly to small and medium-sized businesses in Latin America and western Europe.

The company's revenue has grown to $7m last year from about $360,000 in 1991. It had sales for the first quarter of this year of $4.3m and projects sales of $25m for 1993.

The size of Mr Soros's stake in Viatel is undisclosed. About 80 per cent of the company is owned by Mr Varsavsky. Mr Soros and one other private investor, associated with the merchant bank Goldman Sachs, hold the remaining 20 per cent between them.

Viatel is one of a growing number of small telecommunications service companies exploiting the liberalising international telecommunications régime to provide value-added services on the back of existing national telecommunications networks.

The US and the UK are the company's main hubbing and software-development centres. Its expansion plans centre on western Europe, which is expected to account for 30 per cent of sales this year.

The investment is a further indication of Mr Soros's interest in the telecommunications industry. He is a private investor in privatised Latin American telecommunications companies and is believed to be keen to broaden his telecommunication activities.

Goodyear sees third-term gains

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the last of the big US-owned tyre companies, yesterday predicted a strong improvement in third-quarter net income to between $130m and $135m, or 88 cents to 92 cents a share.

In the same period of 1992, Goodyear earned $91m, or 64 cents, after the company's stock split. This year's third-quarter earnings will include a $5m after-tax gain from the sale of Reneer Films.

Sales for the quarter are expected to be flat, excluding revenues from divested assets. Last year, Goodyear had third-quarter sales of about $3bn.

The Ohio-based company attributed the gain in earnings to better productivity and the success of its premium lines of tyres. It has launched a number of tyres since 1991, when Mr Stanley Gault took the helm.

Although sales were hurt by economic weakness in many countries, Goodyear's moves to improve efficiency have contributed to better operating margins.

"We are especially pleased that the operating margins generated by our business units for the period should reach our long-term objective of 10 per cent," Mr Gault said.

On Wall Street, shares in Goodyear gained $1¼ to a new 52-week high of $46⅝ at mid-session.

Swiss engineer buys Degussa operation

By Ian Rodger in Zurich

OERLIKON Bührle, the Swiss armaments, engineering and retailing conglomerate, said its acquisition of most of Leybold from the German chemicals group Degussa would strengthen its substantial position in vacuum technology related sectors.

Terms of the purchase were not disclosed.

Oerlikon's Balzers subsidiary, based in Liechtenstein, is a leading supplier of vacuum chambers and thin film coatings for various products from cutting tools to compact discs and the latest flat panel liquid crystal display screens.

Leybold has been Balzers' main competitor in most of these fields. Together, they should account for about 16 per cent of world markets, with much higher shares in particular specialities. Oerlikon said it would maintain the Leybold brand name because of its strength in the market.

The Leybold businesses being acquired have annual sales of about DM800m ($471m) but have been in loss. Balzers had sales of SFr468m ($312m) last year and recovered from a 1991 loss to make a SFr50m operating profit.

Postipankki reduces deficit

By Christopher Brown-Humes in Stockholm

POSTIPANKKI, the Finnish state-owned bank, yesterday announced a sharp reduction in losses for the first eight months, confirming evidence that the Finnish banking sector is past the worst of its difficulties.

The bank's operating loss amounted to FM66m ($11.6m), compared with FM599m in the corresponding 1992 period.

It was helped by falling interest rates, which cut the carrying costs of non-performing loans and lifted the profits of money market activities.

Flughafen Wien rises 5% in first six months

By Ian Rodger

FLUGHAFEN WIEN, the partially privatised operator of Vienna's international airport, said its net income in the first half rose 5 per cent to Sch251m on revenues of Sch1.46bn ($121m), up 5.4 per cent.

The airport said that slow growth in aircraft maximum take-off weights restrained revenue growth in the first half. Passenger volume rose only 5.2 per cent and freight tonnage gained only 4.2 per cent.

Meanwhile, operating costs jumped 20.5 per cent, mainly because of an overhaul of a runway. Operating profit thus tumbled 40 per cent to Sch187.4m.

Thanks to a successful net financial result, pre-tax profits rose 29.9 per cent to Sch263.5m.

The directors cautioned that prospects could be affected by whatever alliance decision Austrian Airlines made. The airline, which accounts for 44.3 per cent of passenger flows at the airport, is considering co-operation plans offered by Lufthansa of Germany and by the Alcazar project with three other European airlines.

INTERNATIONAL CAPITAL MARKETS

Bunds hit highs on Bundesbank chief's comments

By Sara Webb in London and Patrick Harverson in New York

THE GERMAN government bond market climbed to new highs again, spurred on by heavy futures buying by traders, hedge funds and short-term accounts.

The market took cheer from a newspaper interview with Mr Hans Tietmeyer in which the Bundesbank president said he could not rule out further cuts in short-term interest rates, as money supply growth was slowing and inflation was likely to ease.

GOVERNMENT BONDS

With the Russian crisis abating, dealers said the market is focusing on economic data, in particular the money supply and inflation figures which are due out in the third week of October.

The Bundesbank yesterday raised the lowest accepted rate for its variable-rate 35-day repo by one basis point to 6.71 per cent, but the announcement failed to ruffle the bund market.

"It was a tight repo, but it's basically a sign the Bundesbank is pressing the pause button," said Ms Alison Cottrell, economist at Midland Global Markets.

"The long end has had its run, but the short end of the European markets haven't discounted the likelihood of rate cuts in Germany and France yet," she added.

The bund futures contract opened at 99.45 and reached a high of 99.79, before slipping back to 99.62 by late afternoon.

■ FRENCH government bonds came off their highs, but closed up on the day. The futures contract settled 14 basis points higher at 124.16, against a high of 124.28. One dealer pointed out: "Both 10-year German and French government bonds are yielding around 6 per cent and there is strong resistance at those levels."

■ UK government bonds took their cue from Germany, gaining about a quarter of a point. "The gilt market continues to look firm, taking the view that interest rates are pointing downwards," said Mr John Kendall, economist at Baring Sterling Bonds.

The Liffe gilt futures contract traded in a range of 113.24 to 114.05, and ended at 114.00, a gain of 0.09 on the day. Dealers noted some unofficial supply of gilts by the Bank of England as the market reached the higher levels.

■ RUMOURS of unexpected new supply dealt a blow to the Japanese government bond market, pushing cash and futures prices sharply lower in the afternoon trading session.

Dealers said rumours swept the market that the Ministry of Finance had contacted one of the big Japanese banks about the question of additional financing through the bond market.

The December futures contract, which had traded in a range of 113.38 to 113.51 in the morning session, fell to a low of 113.02 after lunch on the rumours, before closing at 113.07 in Tokyo.

According to Toyo Trust International, "a scenario of tax cuts of about Y7,000bn to be met with about Y5,000bn in deficit financing, with spending cuts and a small rise in consumption tax looks likely. The market ... should be preparing to receive an extra Y300-Y400bn in bond issuance per month".

■ US Treasury prices were little changed in light trading yesterday morning as market participants continued to trade cautiously ahead of tomorrow's important jobs data.

By midday the benchmark 30-year government bond was up 1/16 at 103 18/32, yielding 5.998 per cent. At the short end of the market, the two-year note was up 1/32 at 100 1/16, to yield 3.825 per cent.

Prices edged higher at the opening, but for the second consecutive day trading activity on the bond market was restrained by an unwillingness among dealers and investors to commit funds ahead of the September employment report, which is due to be published by the Labor department tomorrow.

Analysts are expecting an increase in non-farm payrolls of about 150,000, but concern that the data could include a surprising number, as happened last month when the August figures were released showing an unexpected decline in payrolls, kept many players on the sidelines.

FT FIXED INTEREST INDICES

	Oct 6	Oct 5	Oct 4	Oct 1	Sep 30	Year ago	High *	Low *
Govt Secs (UK)	102.54	102.26	102.08	102.04	102.17	88.33	102.86	93.28
Fixed Interest	123.47	123.19	122.94	123.06	123.05	102.71	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 5	Oct 4	Oct 1	Sep 30	Sep 29
Gilt Edged Bargains	108.9	90.1	85.2	105.2	131.6
5-Day average	[illegible]	102.4	108.3	107.0	[illegible]

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	116.3161	-1.135	6.83	6.69	6.60
BELGIUM		9.000	03/03	112.0000	+0.550	7.20	7.37	7.39
CANADA *		7.500	12/03	104.2000	+0.715	6.92	6.32	6.70
DENMARK		8.000	05/03	109.9000	+0.300	6.57	6.69	6.80
FRANCE	BTAN	5.750	11/98	100.8379	-0.044	5.55	5.57	5.65
	OAT	6.750	10/03	105.5700	+0.150	5.99	6.03	6.15
GERMANY		6.500	07/03	103.6650	+0.260	5.99	6.07	6.13
ITALY		10.000	08/03	106.9700	+0.050	9.11†	9.35	9.75
JAPAN	No 119	[illegible]	06/99	107.6171	-0.315	3.22	3.30	3.56
	No 157	4.500	06/03	104.4454	-0.669	3.87	3.87	4.04
NETHERLANDS		7.000	02/03	[illegible]	+0.040	5.89	5.90	5.99
SPAIN		10.900	08/03	112.8500	+0.600	8.57	9.06	9.00
UK GILTS		7.250	03/98	103-26	+1/32	6.26	6.29	6.30
		8.000	06/03	108-07	+7/32	6.82	6.91	6.83
		9.000	10/08	116-26	+22/32	7.15	7.24	7.22
US TREASURY *		5.750	08/03	103-06	-	5.33	[illegible]	5.29
		6.250	08/23	103-16	+1/32	6.00	5.94	5.94
ECU (French Govt)		8.000	04/03	109.5000	+0.300	6.62	6.64	6.66

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bright outlook for commercial property loans securitisation

By Antonia Sharpe

AN unwillingness among banks to lend directly to commercial property developers following the property crash of the late 1980s has opened up a potentially huge market in securitising commercial property loans.

Securitisation is a funding process which allows banks to take loans off their balance sheet, thereby removing the risk of default and freeing up capital.

This is achieved by the banks placing these assets in a special-purpose vehicle which then raises money by selling debt securities to investors. The interest payments on the these so-called "mortgage-backed" or "asset-backed" securities are funded by repayments on the loans.

The securitisation of residential mortgages and consumer loans is already widespread in the US and is starting to take off in the UK. Last week National Westminster Bank launched its first issue of mortgage-backed notes which raised £300m.

However, the securitisation of commercial property loans is still at an early stage, says Mr Bob Wilson, global product manager at Nomura Securities International, the US arm of the Japanese securities house.

In the US, the volume in securities backed by commercial property loans is currently around $12bn. Most of these securities were issued by the Resolution Trust Corp, the US federal agency charged with clearing up the debts caused by the collapse of US savings and loan institutions in the late 1980s.

The RTC is expected to bow out of the market in the next year since it has almost completed the job it set out to do.

Mr Wilson anticipates that $300bn worth of commercial property loans will need to be refinanced over the next three years. "There will be no new money coming from the S&Ls and only a little from the banks so the secondary market will need to provide most the capital," he said.

Nomura aims to be one of the leading players in the securitisation of commercial property loans. It is committing $3bn of its own capital to enable it to act as a principal in such transactions. It plans to use its global network to distribute the securities.

The main attraction of securities backed by commercial property loans is that they offer a much higher yield than corporate bonds with a similar rating. Pension funds, banks and insurance companies looking to match long-term liabilities are the main buyers of these assets.

Finland gains favourable pricing for £500m offering

By Antonia Sharpe in London and David Waller in Frankfurt

FINLAND achieved its best pricing for five years yesterday when it raised £500m through an offering of seven-year Eurobonds. The all-in cost of the funds, which were kept in sterling, was thought to be 16 basis points over the London interbank offered rate (Libor).

Syndicate managers said that the radical improvement in the spread which Finland paid over UK government bonds provided more proof that international investors no longer harboured doubts about the sovereign borrower.

Finland's bonds were priced to yield 37 basis points over the 9 per cent UK government bond due 2000, well below the spread of 60 basis points that Finland had to pay in March for a deal of the same size but with a 10-year maturity.

That offering was launched only days after Standard & Poor's cut Finland's credit rating by two notches to AA minus and at a time when Finland was borrowing heavily in the international bond market.

Finland has been a less frequent borrower since the first quarter of this year, opting instead to increase its issuance in its domestic bond market.

INTERNATIONAL BONDS

An improvement in Finland's current account position has also kept its net borrowing requirement down.

Investors were also keen to buy the offering which they believed would be Finland's last big issue this year. A senior finance ministry official said yesterday that Finland was close to reaching its foreign borrowing target of around $8bn.

The bonds rose to 99.70 in the late afternoon, up from its re-offer price of 99.65, and the spread tightened accordingly.

Around 25 per cent of the bonds were placed in Asia and the rest in Europe.

Depfa, Germany's largest mortgage bank, is expected to launch a Eurosterling issue of around £500m in the near future, via Salomon Brothers and UBS. Turkey is also likely to tap the Eurosterling sector with a 10-year offering, via S.G. Warburg.

The World Bank gave details of its first D-Mark global bond offering, which will be lead managed by Deutsche Bank and Salomon Brothers.

Mrs Jessica Einhorn, the World Bank's treasurer, said at a presentation in Frankfurt that the fixed-rate issue was likely to raise about DM3bn and have a maturity of five to 10 years. The World Bank expects to achieve a spread within 10 basis points above the yield on underlying German government bonds.

The D-Mark sector was active yesterday as the European Investment Bank raised DM500m through an issue of five-year Eurobonds. The bonds were priced at nine basis points over the yield on the Bobl series 107 of medium-term German government bonds. The issue was seen to be tightly priced and the bonds traded at 100.20 in the late afternoon, just outside fees.

Bank Austria, Austria's largest bank, got a better reception for its DM250m offering of 10-year Eurobonds which were priced at a spread of 22 basis points over underlying German government bonds. The bonds rose to 99.50 bid from a re-offer price of 99.375.

The pricing of GECC's FFr1.5bn five-year offering was viewed as aggressive which caused the bonds to fall to 98.75 bid from a re-offer price of 98.898 and the spread widened by two basis points to 22 basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Korea Electric Power Corp.	190	4.50	99.332R	Oct.1996	0.225R	+55 (4¼%-96)	Merrill Lynch Intl.
Korea Electric Power Corp.	185	4.125	99.57R	Oct.1995	0.1875R	+45 (3⅞%-95)	Merrill Lynch Intl.
Skandia Capital	150	(a)	(a)R	Nov.1998	0.375R	+125(4¾%-98)	Morgan Stanley Intl.
El Puerto de Liverpool	100	7.25#	99.54R	Oct.1996	0.80R	+320(4¼%-96)	Lazard Frères & Co
D-MARKS							
European Investment Bank	500	5.75	101.86	Oct.1998	1.625	-	Westdeutsche Landesbank
Bank Austria	250	6.125	99.375R	Nov.2003	0.325R	+22 (6¼%-03)	Dresdner Bank
STERLING							
Republic of Finland	500	7.00	99.65R	Oct.2000	0.30R	+37 (9%-00)	BZW/ JP Morgan Securities
FRENCH FRANCS							
General Electric Capital Corp	1.5bn	5.50	98.898R	Oct.1998	0.25R	+20 (5½%-98)	Merrill Lynch (France)
PESETAS							
Kingdom of Denmark‡	15bn	(b)	100R	Oct.1998	0.30R	-	Banco Negocios Argentaria
SWISS FRANCS							
Riken Vinyl Industry Co.(c)*φ	100	0.375	100	Oct.1997	-	-	Yamaichi Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today. b) Coupon pays 10% fixed for 1st 6 months and 15.5% - 6-month Libor thereafter. c) Fixing: 13/10/93.

Hagemeyer raises $120m in private US placement

By Sara Webb

HAGEMEYER, the Dutch-based international trading house, has raised $120m through a private placement in the US market.

The funding, which is thought to be the first private placement by a Dutch company in the US, will be used to help pay for the acquisition of Newey & Eyre, the Birmingham-based electrical distributor.

Several foreign companies, mainly from the UK, have flocked to the US private placement market in recent months attracted by the ready availability of long-term funding at relatively favourable rates.

US interest rates are at their lowest levels for 18 years.

Hagemeyer is issuing $120m of notes with maturities ranging from five to 12 years, with an average life of eight years. Few UK banks are willing to lend money to corporate borrowers at such long maturities.

The notes were priced to pay between 88 basis points and 95 basis points over the corresponding US Treasury bonds, which gives an average borrowing cost of 5.985 per cent.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on October 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	103¾	104	+⅛	5.97
AlbertaProvince 9¼ 95	600	109¾	110¼		4.31
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99¾	100¼		7.66
Banfinance Lux 9¼ 99 LFr	1000	107¼	110½		7.46
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	3	13
Other Fixed Interest	4	1	10
Commercial, Industrial	331	200	890
Financial & Property	301	48	472
Oil & Gas	20	7	52
Plantations	0	1	7
Mines	41	20	75
Others	31	16	[illegible]
Totals	792	296	1,602

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	110	94	Anglian Water Wts	106	+1	-	-	-	-
120	F.P.	-	147	115	Baby[illegible]	130		-	-	-	-
-	F.P.	-	£41¼	£38⅝	Beta Nat Race Units	£41¼		-	-	-	-
90	F.P.	-	98	88	Crocklords	96		W5.2	2.3	6.8	7.5
-	F.P.	-	5	3½	Explaura A	[illegible]		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							
120	Nil	4/11	19pm	6pm	Appleyard	10pm	
35	Nil	-	1pm	¼pm	Britannia	¼pm	
150	Nil	15/11	11pm	8pm	Friendly Hotels	9pm	-1
150	Nil	2/11	23pm	18pm	JIB	23pm	
250	Nil	2/11	67pm	48pm	MB Caradon	67pm	
160	Nil	10/11	23pm	14pm	Perry Group	14pm	-3
[illegible]	Nil	26/10	4pm	3pm	Phoenix Timber	3½pm	
120	Nil	3/11	22½pm	13¾pm	Tarmac	21½pm	+2
72	Nil	13/10	7pm	5pm	Wates City of London	6pm	
2½	Nil	25/10	¼pm	½pm	Wiggins	¼pm	+¼

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 27
- Last Dealings Oct. 8
- Last Declarations Dec. 30
- For settlement Jan. 10

3-month call rate indications are shown in Saturday editions.

Calls: Alliance Res., ASDA, Betterware, Channel Hldgs., Hanson Wts., ML Laboratories., NMC, Premier Cons. Puts: Amstrad. Put & Call: ASDA, Babcock, BT p/p.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]							

FT-SE INDEX (*3116)

[illegible]									

EURO FT-SE INDEX (*3116)

[illegible]									
PUTS									
Oct	1	1½	2½	6	19½	51	100	150	
Nov	6½	10	16½	28	46	71½	106	149	
Dec	15½	21½	28½	41½	60	84½	115	153	
Jan	22	29½	41½	55½	74½	98½	127	163	
Jun †	52	-	79½	-	118	-	167	-	

October 6 Total Contracts 32,163
Calls 20,557 Puts 11,606
FT-SE Index Calls 5,684 Puts 5,649
Euro FT-SE Calls 1,576 Puts 384
*Underlying security price. †Long dated expiry rates.
Equity premiums are based on closing offer prices.
Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Oct 6	Day's change %	Tue Oct 5	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.95	+0.06	128.87	2.16	8.59
2	5-15 years (22)	156.47	+0.27	156.05	2.12	10.12
3	Over 15 years (9)	176.88	+0.66	175.69	1.46	9.70
4	Irredeemables (6)	208.86	+0.73	207.34	3.66	8.83
5	All stocks (62)	[illegible]	+0.29	151.48	2.04	[illegible]
	Index-Linked					
6	Up to 5 years (2)	187.57	+0.02	187.54	0.08	4.28
7	Over 5 years (11)	185.91	+0.16	185.62	0.67	[illegible]
8	All stocks (13)	185.18	+0.14	184.91	0.78	3.92
[illegible]	Debs & Loans (66)	143.76	+0.34	143.27	1.98	8.61

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 6	Tue Oct 5	Year ago (approx.)
	British Government				
1	Low	5 years	6.22	6.24	8.00
2	Coupons	15 years	7.01	7.07	8.95
3	(0%-7¾%)	20 years	7.14	[illegible]	9.21
4	Medium	5 years	6.47	6.49	8.61
5	Coupons	15 years	7.15	7.21	8.49
6	(8%-10¾%)	20 years	7.21	[illegible]	9.59
7	High	5 years	6.67	6.68	8.87
8	Coupons	15 years	7.37	7.43	9.76
9	(11%-)	20 years	7.39	7.45	9.82
10	Irredeemables (Flat Yield)		7.28	7.33	9.72
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.53	2.63	3.64
12	Inflation rate 5%	Over 5 yrs.	[illegible]	3.15	4.16
13	Inflation rate 10%	Up to 5 yrs.	1.74	[illegible]	2.89
14	Inflation rate 10%	Over 5 yrs.	2.97	2.97	3.99
15	Debs &	5 years	7.72	7.78	10.17
16	Loans	15 years	8.08	8.12	10.78
17		25 years	8.24	8.27	[illegible]

Grants of St James seen as a perfect fit with significant cost benefits

Matt Clark seeks £30m for buy

By Peggy Hollinger

MATTHEW CLARK yesterday offered shareholders the sweetener of a 7.5 per cent dividend increase to 18p as the drinks group launched its second rights issue in four months to fund an acquisition.

Shareholders, who provided £13m in June to buy a drinks wholesaler, were yesterday asked to contribute £30m through a 3-for-5 rights issue at 375p to fund the purchase of Grants of St James's, the wines and spirits supplier, from the Hiram Walker offshoot of Allied-Lyons.

The shares, which were suspended last week following speculation over the acquisition, closed at 498p.

Mr Peter Aikens, chief executive, said Grants and Clark were "a mirror image . . . they are a perfect fit". Both groups had a branded wine business and a drinks wholesale division.

Allied-Lyons said that following a strategic review earlier this year light wine and wholesaling was not considered to be a priority.

Mr Aikens said there were significant cost benefits to be achieved by merging the two businesses. He expected annualised cost savings of about £8.5m to begin to feed through in the new year.

The acquisition would also strengthen Clark's ability to take advantage of the opportunities provided by a rapidly changing drinks sector, Mr Aikens said.

It has been estimated that between 700 and 800 pubs would eventually be free to choose their suppliers following last week's announcement that Grand Metropolitan was selling its Chef & Brewer estate to Scottish & Newcastle.

Over the last three years, Clark has been restructured away from its original role as agency for a few branded drinks to a producer, wholesaler and supplier. It owns Stone's Original Ginger Wine and last year purchased Strathmore bottled water.

Grants is a leading company in the wine-in-a-box sector, claiming 40 per cent of the UK market with brands such as Stowell's of Chelsea.

Mr Aikens said he expected the acquisition to enhance earnings this year. Rationalisation costs of about £10m will be provided for in the balance sheet. Analysts, who had been expecting pre-tax profits of about £8m for the year to April 30, are revising forecasts to about £10m.

Clark will make an initial cash payment of £28m for the business and assets of Grants. There will be a further payment of about £4.5m on completion.

The acquisition follows the purchase in July of Freetraders, a drinks wholesaler. Mr Aikens said Freetraders had shown solid growth since its acquisition with a 37 per cent increase in profits before interest and tax to at least £3.2m.

Trevor Humphries

Peter Aikens, centre, with Peter Huntley, Clark's business development director, left, and Hugh Etheridge, finance director

Invergordon bid would be 'inadequate'

By Maggie Urry

INVERGORDON Distillers, the scotch whisky distiller, said that if a bid were made for the company at 300p it would be "inadequate" and would "fail to reflect the strategic value" of Invergordon. The statement was made after the market closed with the shares up 6p at 294p.

The announcement followed a joint statement from Whyte & Mackay, the UK drinks subsidiary of American Brands, and Fleming Investment Management on Tuesday, which said they were in talks that might lead to FIM selling its 13.6 per cent stake in Invergordon to WM.

If WM bought the stake it would be obliged to bid for the whole of Invergordon as it already holds 41 per cent of its shares, the legacy of an unsuccessful bid two years ago which was pitched at 275p. FIM had supported Invergordon then.

Under the Takeover Code, WM would have to offer shareholders at least the same price that it paid to FIM.

WM and FIM have not publicly stated the possible price at which FIM might sell. A price of 300p has been mentioned in the press, with FIM reported to have rejected that amount.

Invergordon said yesterday that WM was "denying the [Invergordon] board the opportunity to represent the interests of all shareholders" by not putting the proposals directly to it. It is to write to shareholders shortly and advise them what action to take.

Invergordon is advised by Robert Fleming, the merchant bank, while FIM, the investment management arm of Robert Fleming, is being advised on this issue by SG Warburg.

SE probe as Drew issues warning

By Richard Gourlay

DREW Scientific, the maker of medical diagnostic kits, yesterday issued a profits warning less than six months after coming to the market, and days after a sharp fall in the share price.

The announcement that there would be a pre-tax loss of £850,000 in the six months to September 30 was timed to coincide with the close of the stock market.

Drew said that for the last three months it has been unable to ship the only product it produces, a kit that helps doctors monitor the management of diabetes.

Mr Trevor Barker, chairman, has asked the Stock Exchange to investigate recent trading in the share price. "I want to know why there was a leak," Mr Barker said.

He said that while Drew had known since July about the problem with valves it buys for its kits in the US, it could not quantify the extent of the problem and had not made an announcement.

Advisers at Credit Lyonnais Laing, said the directors should have been aware that there was a danger of a false market in their shares once shipment of the only product was suspended.

Mr Barker said the company had wanted to wait until it could announce that shipment had been resumed.

Drew was floated in May at 105p and the shares jumped to 150p valuing the company at about £40m. Directors took about £3m in cash from the sale of shares, with Mr Drew, still one of the largest shareholders, taking £1.3m.

Since then the share price fell to 105p before last Friday when it dropped another 20p. It closed yesterday unchanged at 80p before the announcement.

Mr Barker said that since the float the company had met problems. "None of this was known when we issued the prospectus," he said.

Mr Andrew Kenney, research and development director, said the "working hypothesis" was that "the mistake we may have made is not saying anything publicly since the flotation."

At the time of launch, Drew did not make a profits forecast. But based on assumptions about the number of kits that would be shipped, brokers were steered towards a pre-tax profit figure for the year of about £2m.

Drew also said yesterday that the US Food and Drug Adminstration had approved a new G15 diagnostic kit which should enjoy larger sales.

The profits warning will be particularly embarrassing for Close Brothers, which brought the company to the market in a placing, and its advisers.

Amber Day pulls out of imports and distribution

By Andrew Bolger

SHARES IN Amber Day Holdings fell by 14p to 56p after the controversial retailer said it was withdrawing from the import and distribution business and would concentrate on What Everyone Wants, its Glasgow-based discount retail chain.

Mr Peter Carr, who took over as chairman in August after a boardroom split, also warned that the group's results for the year to July 31 – which will be reported in November – would be depressed by charges totalling not more than £8.5m.

The bulk of this will relate to the disposal of the group's import and distribution business, which has offices in London and Sri Lanka.

However, a substantial chunk will also go on compensation to former directors.

A payment of £1.13m was made to Mr Philip Green, who stepped down as chairman and chief executive last September after the group reported a drop in last year's profits from £10.1m to £7.5m.

This year's results should also reveal how much compensation was paid to Mr Stacey Ellis, who stepped down as chairman in August, only seven months after he joined the group in an attempt to rebuild its credibility.

The third element in the charges will be a further exceptional provision for the group's former men's wear division, which was sold during the previous financial year.

This mainly covers write-downs on property and is in addition to the £5.99m exceptional charge which the group took when it sold the division last year.

Mr Carr said: "The board believes that it is important to take these measures now, recognising the need to clear the impositions of the past, in order to devote skills and resources to the core business of the group, What Everyone Wants."

Trading at What Everyone Wants in 1992-1993 continued satisfactorily, with the underlying trend of sales and profits ahead of the previous year, despite difficult trading conditions. However, the group warned that operating profit of the chain would show a small decline as a consequence, principally, of a non-recurring change in accounting method for stock mark-downs.

"The board is confident of the opportunity that exists in the British discount retail sector, as well as the growth potential of What Everyone Wants within it and a strategy for expansion is in the final stages of preparation."

Amber Day said it intended to recommend a final dividend which, taken with the interim of 1.1p, would "form a base from which to grow the dividend in future years."

Gold Greenlees shares fall 50p after profits warning

By Diane Summers, Marketing Correspondent

SHARES IN Gold Greenlees Trott fell by 50p to 225p yesterday after the advertising and marketing services group warned that City profit forecasts for the year ending next April were "optimistic".

The group, which had a £14.7m rights issue in February at 235p a share to fund acquisitions, said it expected that interim results would "justify the maintenance of the interim dividend" and, for the full year, pre-tax profits should exceed last year's £4.3m.

Analysts had been forecasting pre-tax profits for the year of between £6m and £6.5m; yesterday they dropped to about £4.5m after the warning was issued.

Recovery in both advertising and sales promotion activities in the UK has been slower than anticipated, GGT said. This had resulted in the deferral and reduction of spending by a number of clients.

"Although the board remains encouraged by the number of new business pitches by both the North American and UK agencies, these are unlikely to have the impact on this year's profitability that was originally anticipated," the group added.

GGT said earnings per share would be reduced, but a temporary reduction in the dividend cover would be justified because of its "strong balance sheet, positive cash position and good long-term prospects". These factors would be taken into account "in considering the appropriate level of full-year dividend," it said.

At the time of the February cash call, Mr Michael Greenlees, chairman, said he saw "considerable room for growth" in existing business.

In June, a joint venture was formed with GGK, the privately-owned European agency network, with both sides putting £3m cash into the new company.

In the year to April 30, GGT reported pre-tax profits 6 per cent higher at £4.32m. Turnover rose 18 per cent to £275.4m and the final dividend was 5p on capital increased by the rights issue, making an unchanged 8.3p for the year.

Eric Emmerson buying Pocklington again

POCKLINGTON Blocks, the York-based manufacturer of concrete floors and staircases, has been bought for the second time by the man who rescued it from receivership in 1982, writes Ian Hamilton Fazey.

The company, part of Bardon Group since 1988, has been sold to Mr Eric Emmerson for £2.4m.

The sale is a small divestment of a non-core business by Bardon, the building group which last month reported interim losses of £59.5m, including a £60m provision for a US investment it plans to sell.

3i's Leeds office has provided £500,000 of equity, with Midland Bank covering loans and £600,000 of working capital.

Abtrust raising £50m

ABTRUST Fund Managers is attempting to raise £50m to invest in emerging markets in the Far East, Asia, Europe and Latin America in a new investment trust.

Abtrust has received undertakings to subscribe for £27.5m from institutions and financial intermediaries.

The initial net asset value will be between 95.5 and 96 per cent of the gross proceeds of the offer because of start-up costs.

The new trust has a simple capital structure and offers a minimum investment of 2,000 ordinary shares at 100p each. For every five shares subscribed one warrant with a life of 15 years will be issued.

The warrant gives its owner the right to subscribe for one ordinary share at 100p in any one of the years from 1995 to 2008.

The offer opened yesterday and closes on October 27.

Dealings are expected to begin on November 4.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbott Mead	int	3.2	Nov 15	3	-	9.3
Austin Reed	int	2	Dec 1	1*	-	2.5*
Bank of Scotland	int	1.87	Dec 17	1.77	-	4.57
Brown (David)	int	2.1	Oct 29	-	-	-
Ex-Lands	fin	0.35	Nov 29	nil	0.35	nil
Grampian Hldgs	int	1.7	Nov 25	1.7	-	5.5
Hewden Stuart	int	0.9†	Dec 15	0.875	-	3.24
Manchester Utd	fin	13.5	Nov 30	12	19.5	18
Paramount §	fin	0.15	Jan 28	0.1	0.15	0.1
REA	int	nil	-	2	-	4
Time Products	int	3	Jan 7	2.75	-	7.95

†On increased capital. §USM stock. *Adjusted for scrip issue.

Shepherd Neame rises 15%

DESPITE discounting by competitors, Shepherd Neame, the independent Kent-based brewer, lifted pre-tax profits by 15.5 per cent over the 12 months to June 26.

The increase – from £4.07m to £4.7m – was achieved on turnover ahead some 9 per cent to £39.1m, including trading from the 58 houses leased from Whitbread since May 1992. Sales through the group's tenanted pubs improved 5 per cent.

Earnings per £1 share emerged at 54.4p (45.6p). A final dividend of 13.75p brings the total to 17.5p, an increase of just over 11 per cent.

Profits of £4.7m after lower interest costs in first result since float

David Brown advances 22%

By Andrew Bolger

DAVID BROWN Group, the Yorkshire-based specialist engineering company, announced a 22 per cent rise in pre-tax profits in its first results since coming to the market in April.

Profits increased from £3.8m to £4.7m in the six months to July 30, although sales were flat at £37.7m, as were operating profits at £4.9m.

The increase in the pre-tax line was caused by a sharp reduction in interest payable to £277,000 (£1.05m) as the flotation proceeds transformed net debt of £7m into net cash of £10.1m at the half year.

David Brown said its results were much as foreshadowed in its listing particulars. An expected gap in orders for Challenger tank gearboxes reduced sales by the vehicle transmissions division.

This was offset by growth in the other divisions – pumps, which supplies the oil and gas market; special products, which makes custom-built gearboxes; and Radicon, which makes smaller gear units.

Mr Chris Cook, joint chief executive, said that transmission sales were 20 per cent down following the gap in orders between Challenger 1 and Challenger 2.

However, Vickers had recently won an order from Oman which meant David Brown would supply 23 new gearboxes.

Overall the group's order book stood at a record £59.5m.

Mr Derek Kingsbury, chairman, said the group's longer-term prospects had been enhanced by a contract to supply Agco Corporation of the US with tractor axles, worth a minimum of $50m (£33m) over three years.

The group will invest £7m in a new facility near Huddersfield and working capital for the Agco contract and deliveries to the US will start in January.

Radicon's sales grew by 13 per cent to to £10.5m, reflecting the impact of new products and devaluation, rather than widespread recovery in the UK.

Sales of pumps grew by 16 per cent to £9.1m, but demand for higher-margin spares and services remained depressed, and operating profits were down by 12 per cent.

Sales of special products were up 5 per cent at £7.6m, reflecting weak demand from UK engineering contractors, although margins were improved by a fall in costs.

Mr Chris Brown, joint chief executive, said the group workforce of 1,400 had fallen by about 70 during the half year, but was likely to increase as the Agco work picked up.

Pro-forma earnings per share amounted to 6.5p (6.1p) for the period.

The maiden interim dividend is 2.1p.

Chris Brown (left) with Chris Cook: results met expectations

Hong Kong sale helps Time Prods to £5.33m

By David Blackwell

THE DISPOSAL of its remaining property interests in Hong Kong for £1.48m helped Time Products, the watch and jewellery distribution group, lift pre-tax profits for the six months to July 31 by 52 per cent, from £3.5m to £5.33m.

Operating profits were ahead from £2.2m to £3.34m, including a £486,000 contribution from acquisitions. This mainly reflected the purchase in March for £11.9m of the business of Judith Leiber, an American designer of luxury handbags.

Mr Marcus Margulies, chairman, said that 80 per cent of profits came from the luxury end of the group's markets, with 20 per cent from volume markets. A couple of years ago the proportions would have been reversed.

While the group owns Sekonda, which accounts for about 12 per cent of UK watch sales, it also sells watches worth hundreds of thousands of pounds apiece. It holds agencies for exclusive brands such as Blancpain and Vacheron Constantin, and last April acquired for £2m the agency to distribute in North America watches by Audemars Piguet, the Swiss watchmaker that specialises in highly technical and luxurious pieces.

Mr Margulies' strategy is to concentrate on luxury brand names. The group has now opened a luxury watch shop at Judith Leiber's premises in New York.

"The concept of the company is changing very dramatically," he said yesterday. "The US offers us a very exciting opportunity, and the start has been better than we would have hoped."

Group turnover rose from £26.2m to £29.9m. The latest figure included £4.63m from acquisitions and £197,000 from discontinued operations. Turnover last time included £5.95m from discontinued operations.

Mr Margulies said turnover in the luxury watch division was moving increasingly into the first half of the year, partly because of demand after the Basle Fair in April. The volume business showed some improvement, but trading conditions remained difficult.

Net interest receivable fell from £1.09m to £513,000, reflecting a reduction in net cash because of acquisitions and lower rates.

Earnings per share were 6.67p (4.57p), and the interim dividend is 3p (2.75p).

Parkdean Leisure will raise £7.6m via flotation

By Maggie Urry

PARKDEAN LEISURE, the holiday park operator, yesterday finalised its flotation, pricing its shares at 120p and arranging an institutional placing which will raise £7.63m net for the company. The price values the whole company at £12m.

Mr Graham Wilson, chief executive, said the flotation would leave the group virtually ungeared at its financial year end in November. It would then be able to expand, partly through buying two or three new parks a year.

He said the average cost of a park was between £500,000 and £1m and Parkdean would also spend on new facilities such as indoor swimming pools. Gearing could rise to about 35 per cent by the end of the 1994 financial year.

Mr Wilson said the group might return to shareholders for more equity when the success of the acquisition programme had been demonstrated.

Past acquisitions had shown Parkdean could raise profits substantially through adding to facilities, improving marketing and applying economies of scale, he said.

The group, which currently owns seven parks, forecast operating profits for the year to end-November of not less than £1.4m, up from £1.3m in 1992.

On a pro-forma basis, as if the flotation proceeds had been available throughout the year, earnings per share would be 8.7p, giving a p/e of 13.8 at the placing price.

Parkdean said if it had been quoted for the whole year it would have paid a total dividend of 4.35p, covered twice by earnings. That gives a notional yield on the placing price of 4.53 per cent. It said it planned to pay a final dividend of 1.3p next April.

The company is issuing 6.85m new shares and some shareholders, including certain directors, are also selling a total of 645,833 shares. There will be a total of 9.99m shares in issue after completion.

After the issue, Mr Wilson, who led the management buy-out of the company in 1989, will hold 3.85 per cent of the equity, with directors and management holding a total of 8 per cent.

The venture capital groups which backed the MBO and put up further equity finance in 1991, are selling some shares but retaining stakes in the group. About 30 institutions agreed to buy shares in the placing.

Proceeds will be used to repay £2.33m of preference shares, which Mr Wilson said were costing the group 16 per cent gross in dividends, with the other £5.3m repaying debt.

At the end of 1992 the group had debt of £6m and finance leases and deferred consideration of £828,000.

The placing was arranged by Charterhouse Tilney. Dealings in the shares begin on October 14.

Whitegate Leisure returns to profit with £663,000

WHITEGATE Leisure, the entertainment and ten pin bowling group, announced pre and post-tax profits of £663,000 for the 12 months to August 31.

In the previous period – covering the eight months to end-August 1992 – the group incurred losses of £8.72m, adjusted for FRS 3. The figures were struck after interest charges of £3.02m and £2.74m respectively.

Adjusted earnings per share emerged at 6.5p (5.3p losses).

The accounts were prepared on a going concern basis; a renewed agreement with the group's bankers lasting until end-September 1995 was reached on Tuesday whereby Whitegate will issue 3.19m shares at par to the banks, subject to shareholders' approval.

The return to profit enabled the group to repay some £2m of bank debt since April 1. Borrowings currently stand at about £30m, expected to come down to below £25m by the end of next year.

Turnover in the largest business – dancing – amounted to £13.7m (£6.41m) for operating profits of £4.37m (£970,000). Bowling contributed turnover of £6.34m (£4m) and operating profits of £2.32m (£1.46m).

The group has finally divorced itself from the ill-fated move into France and is still seeking buyers for the remnants of its healthcare subsidiary. Options include seeking a separate quotation for the business which achieved profits of £231,000 (£137,000) before exceptional items.

The group's intention was now to concentrate wholly on the UK mass market leisure business. To reflect its "distinct regional identity" it proposes to change its name to Northern Leisure. Whitegate also intends to move from the USM to a full listing.

The shares rose 4½p to 43½p.

Brent Walker sells stadium for £5m

By Michael Skapinker, Leisure Industries Correspondent

BRENT WALKER, the heavily indebted leisure and property group, yesterday sold the Hackney Wick Greyhound Stadium for £5m to a consortium led by Henderson Venture Managers.

Henderson has raised another £9m to invest in refurbishing the stadium, which will be run by a management team headed by Mr Robert Parker, a racing writer and trainer.

Mr Parker said he intends to turn the stadium, which is currently in a run-down condition, into the most advanced in the UK.

He plans to build a new stand and upgrade other facilities in a 40-week building programme. The track will remain open throughout.

Mr Parker said: "There is huge potential to develop the sport further."

The stadium will be owned by Fleetwood Racing, with Sir James Harvie-Watt as non-executive chairman.

Sir James is a former managing director of Wembley Stadium and was vice chairman of the Sports Council.

Senior debt for the project is being provided by Bank of Scotland. Samuel Montagu is providing mezzanine debt.

Kelt Energy stake for Kerry Packer

By Robert Corzine

KELT ENERGY, the oil exploration and production company, is raising £5m through a share subscription and open offer under which Mr Kerry Packer's CP International Securities, could take a maximum 14.8 per cent stake in the company.

CPI, a subsidiary of the Australian entrepreneur's Consolidated Press International Holdings, is subscribing for up to 12.5m shares at 40p each.

The deal is part of CPI's expansion into the energy and petrochemical industries.

Ordinary and preference shareholders can subscribe on a 1-for-11.174 basis. Two companies held by Mr Hubert Perrodo, chairman of Kelt, will not take up their entitlements, totalling 13.2 per cent of the enlarged capital, in favour of CPI.

Mr Perrodo's stake in Kelt, which was restructured two years ago when a group of banks took over some of its exploration and production assets in return for writing off its debt, will fall to a little more than 55 per cent.

Mr Jean-Michel Runacher, chief executive, said the subscription was the first step towards the further dilution of Mr Perrodo's stake. Additional steps to broaden the shareholder base can be expected.

Since its restructuring Kelt has specialised in taking over marginal assets from large oil companies and cutting costs in order to make them profitable.

Yesterday Mr Perrodo said the strategy had enabled Kelt to double its production over the past six months to 11,050 barrels of oil equivalent a day.

Paramount rises to £450,000

Another year of progress was recorded by Paramount, the USM-quoted pub operator, with pre-tax profits up 12 per cent from £403,000 to £450,000 in the 12 months to May 31.

With operating profits down from £1.59m to £1.42m, pre-tax results benefited from reduced interest of £1.15m (£1.26m) and increased associate's contribution of £180,000 (£73,000). Turnover was lower at £4.81m (£7.64m).

Paramount currently owns and manages 220 licensed properties within a 100 miles radius of Chester.

Earnings per share were unchanged at 0.56p basic and 0.43p fully diluted. The dividend is up from 0.1p to 0.15p.

NEWS DIGEST

Austin Reed in the black at £527,000

IMPROVED turnover and margins in its UK shops helped Austin Reed, the clothing manufacturer and retailer, achieve pre-tax profits of £527,000 for the 28 weeks ended August 14 1993, compared with losses of £430,000.

Turnover amounted to £29.3m against £28.4m. Directors stated that the manufacturing business "fared less well as recession abroad took hold, though it too experienced an improvement in UK sales".

Earnings per share were 1.1p (1p losses) while the interim dividend is lifted from an adjusted 1p to 2p.

Sale profit boosts Ex-Lands to £0.91m

Profit on the sale of a subsidiary enabled Ex-Lands to report increased pre-tax profits of £914,000 for the year to June 30, against £65,000.

Turnover was little changed at £1.27m (£1.25m) for operating losses of £1.3m (£1.22m). The sale profit came to £1.4m making up for lower interest income of £807,000 (£1.28m).

Earnings per share were 1.07p (0.1p) and the company is returning to the dividend list with a proposed final of 0.35p.

REA shows advance of 83% to £354,000

REA Holdings, the plantation company, achieved an 83 per cent jump in pre-tax profits from £193,000 to £354,000 in the half year ended June 30.

Mr Richard Robinow, chairman, said the tentative recovery in the UK had had a favourable impact on the result.

Merchanting and storage made a confident start to the year, he said. Those divisions' operating profits rose to £342,000 (£169,000) and £240,000 (£191,000) respectively.

Losses in agriculture deepened to £76,000 (£36,000).

Group turnover improved from £39.9m to £40.9m. Earnings per share came through at 1.2p (0.1p) and there is no dividend (2p).

Eidos trims interim losses to £78,254

Eidos, the USM-quoted video editing systems company, cut pre-tax losses for the first six months of 1993 from £87,641 to £78,254. Turnover fell from £54,625 to £20,241.

The company last July signed an agreement with Enabling Technologies to market Escape, its video compression software, worldwide. It is focusing its development effort on Escape.

The board is proposing the issue of 115,000 new ordinary shares to Mr Charles Cornwall, a director, at 75p a share, to raise £86,250.

Lack of exceptional cuts Grampian Hldgs

By Catherine Milton

INTERIM pre-tax profits at Grampian Holdings, the Glasgow-based mini-conglomerate, fell from £10.8m to £2.05m.

The comparable figure was distorted by an exceptional gain of £8.34m, against a charge this time of £1.22m.

The company is holding the interim dividend at 1.7p, out of earnings down at 2.14p (14.7p).

The group, with interests in animal pharmaceuticals, transport, retailing and sports goods, reported operating profits of £5.16m (£5m) on turnover down at £60.2m (£66.7m) in the six months to July 2.

The pre-tax figure was helped by lower interest charges of £1.89m (£2.56m) although net borrowings were static at £36m.

"Trading in the third quarter has shown an improvement over the same period in 1992," said Mr Bill Hughes, chairman and chief executive, but "marketplace uncertainties" persisted.

Sales improved in all divisions but the company excluded from the group figures £8.18m of £8.7m (£8.3m) sales in its retail business, of which it now owns just 25 per cent following a merger with the privately-held Edinburgh Woollen Mills in March. Operating losses in retail fell to £475,000 (£1.2m) for the same reason.

Pharmaceutical sales rose to £24.8m (£22.5m) with overseas sales up 21 per cent but the larger UK volumes were up just 6.4 per cent. Operating profits were £3.29m (£3.06m).

Transport operating profits were £1.32m (£940,000) on turnover of £17.9m (£15.9m). Sporting goods fell into losses of £273,000 (profits £160,000) on turnover of £15.4m (£14.8m).

The exceptional charges related to profits on sales of subsidiaries less reorganisation costs.

● COMMENT

Grampian, a hope-postponed stock for some while, has solved some of its problems. The pharmaceuticals division has cut annual costs by more than £1m and has just obtained licences for two vaccines it has developed. The retail merger and sportswear licencing deals are good glosses on poor quality businesses, with royalties from the latter worth about £700,000 a year. Grampian can also enjoy something of a cyclical kick through its transport interests. Profits of about £9m this year before tax and exceptionals would put the stock on a multiple of 17.3 but, assuming the solutions achieved pay off, this drops to a good-value 11.1 in 1995.

CentreGold valued at £50m

By Paul Taylor

CENTREGOLD, a leading UK-based publisher and distributor of video game and computer entertainment software, will be valued at about £50m when it comes to market through a placing and intermediaries offer later this month.

The Birmingham-based group, which was founded 10 years ago by Mr Geoff Brown, a former teacher, issued its pathfinder prospectus yesterday and also revealed sharply higher profits fuelled by booming sales of home entertainment software for Sega and Nintendo video games machines and personal computers.

Pre-tax profits increased by 60 per cent to £2.72m (£1.7m) in the year to July 31 on turnover ahead 23 per cent to £68m (£55.1m).

Precise details of the issue, which is being brought to market by Smith New Court, have yet to be fixed but it will be priced on October 19. The issue is expected to raise about £20m, including £10m for the company itself, and is likely to be priced at up to 125p a share.

Three quarters of the shares will be placed firm with the balance subject to clawback under the intermediaries offer. That offer will close on October 22 and dealings are expected to begin on October 28.

Following the flotation the existing management, including Mr Brown who is CentreGold's chief executive, will retain just under 50 per cent of the enlarged share capital. Mr Brown is expected to emerge with a 35 per cent stake valued at about £17.5m.

The £10m in proceeds from the new shares will mainly be used to provide additional working capital to support ongoing development.

In particular, Mr Brown said, it would enable the group to take advantage of its new distribution arrangements with Sega, a new publishing relationship with Nintendo and the continued expansion of its US operations.

The market for home entertainment hardware and software has grown rapidly in recent years.

The UK market, dominated by Sega and Nintendo, was worth approximately £900m last year, against £190m in 1992.

CentreGold operates through two main subsidiaries – CentreSoft, which distributes computer and video game entertainment software to 1,300 retailers in the UK, including the Boots and John Menzies chains, and US Gold, which publishes PC software and video games for Sega and now Nintendo games machines on both sides of the Atlantic.

Brasway's £0.8m expansion

Brasway has purchased Vanox, which blends and distributes industrial and automotive lubricants and trades as British Benzol Lubricants, for a maximum £770,000 in cash.

In the 1992 year, Vanox, based in Barnsley, incurred a deficit of £85,000 before tax, group charges and exceptional items, on turnover of £4.7m.

Forte aims for agreed settlement to Savoy imbroglio

By Michael Skapinker, Leisure Industries Correspondent

FORTE, the hotel and restaurants group, has decided it will try to avoid a hostile bid for Savoy Hotel when a five-year truce between the two companies ends in November next year.

Although Forte would still like to gain control of Savoy, it is believed to favour an agreed settlement.

It is thought to fear that an announced bid would drive up the Savoy share price and make an acquisition more expensive.

Forte fought a bitter battle to take over its rival during the 1980s which gave it a majority of Savoy shares but a minority of voting shares.

The two groups reached a stand-still agreement, under which Forte said it would give 12 months' notice if it wanted to increase its shareholding after November 1994.

This means that if Forte wants to gain control of Savoy as soon as the five-year period ends it will have to give notice next month.

This is now unlikely to happen.

Instead, Forte is expected to try to persuade Savoy that a merger of the two companies' luxury hotels is preferable to a reopening of hostilities.

Mr Forte has said he would like to create a new luxury hotel group over which Forte would have majority control.

The group would encompass the Savoy establishments, which include the Savoy, the Connaught and Claridge's.

Forte would place its Exclusive Portfolio of hotels in the group.

These include the Grosvenor House and Hyde Park Hotels in London, the Westbury and Plaza Athénée in New York, the Ritz in Madrid and the George V in Paris.

Pre-tax outcome hit by increased spending on player transfers

Manchester United up to £8.2m

By Peter Pearse

Trevor Humphries

Martin Edwards, chief executive: £30m value on first team squad

IN THE year in which it finally fulfilled 26 years of fans' expectations by becoming League champions, Manchester United lifted profits before transfer fees from £7.68m to £8.19m.

At the pre-tax level for the 12 months to July 31, profits declined to £4.2m (£5.06m), adversely affected by net expenditure on the transfer of players which rose from £2.63m to £3.99m – with money spent on players totalling £6.02m. This included the purchase of Roy Keane for £3.75m, and Eric Cantona and Dion Dublin for £1m apiece.

The shares closed down 15p at 542p.

The aggregate value of the first team squad, as reported by Touche Ross, was £30m (£24m).

Interest receivable declined to £796,000 (£1.42m) as cash and gilt-edged stock fell to £7.76m (£14.8m) after capital investment of £12m, with the rebuilding of the Stretford End at the Old Trafford ground coming in under budget at £10.3m. Cash generated was £4.1m.

The operating surplus of £7.39m (£6.27m) was achieved on turnover up at £25.2m (£20.1m). This grew in spite of a 4 per cent reduction in gate receipts to £10.7m (£11.1m) mainly due to the rebuilding.

Turnover from television rose to £3.85m (£1.84m), thanks, the company said, to improved arrangements under the senior league and winning the championship. Sponsorship, advertising, first-time royalties from Umbro and increased sales of replica kits contributed more at £3.62m (£2.76m), and in spite of the reduced capacity, conference and catering activities turnover rose to £1.81m (£1.7m).

The strongest growth in turnover came from the merchandising division where there was a 93 per cent rise to £5.23m (£2.71m). A joint venture retail store has recently been opened in Belfast and Mr Robin Launders, group finance director, said the launch of a credit card was likely soon and that there would be an announcement about financial services offers on Friday.

Below the line, £1m was appropriated from the transfer fee reserve – "essentially a dividend protection reserve", according to Mr Launders – to give earnings per share after appropriation of 32.5p (27.6p), or 24.3p (29.7p) before.

The final dividend is lifted to 13.5p (12p) for a total of 19.5p (18p).

The fortunes of the club will be significantly boosted should it defeat Galatasary of Turkey in the European Champions Cup and progress to the lucrative mini-league stage.

Hewden Stuart advances to £9m

By Andrew Bolger

HEWDEN STUART, the UK's biggest independent plant hire company, yesterday celebrated the 25th anniversary of its coming to the market by announcing a 35 per cent increase in pre-tax profits and a 1-for-5 scrip issue.

Pre-tax profits rose from £6.7m to £9.1m in the six months to July 31, even though turnover rose only slightly, from £88.9m to £91.7m.

Sir Matthew Goodwin, chairman, said the downward trend in profits experienced for the last three years was reversed in the early summer, but this was more a reflection of good husbandry than any real strengthening in the workload of the Glasgow-based group's customers.

The chairman said the improvement in the hire division's profits reflected benefits from the heavy capital expenditure programme which had been carried through the recession, often at a cost which adversely profits at the time.

He added: "Overall, however, the division reported no lessening in the severity of the competition and little sign of recovery in rates, and did well to achieve a small increase in turnover and profits."

Merchandising also saw a moderate increase in activity and profits, and Sir Matthew said one of the noticeable factors was that machines taken in part-exchange tended to be older than usual, with a shortage of modern second-hand equipment. "This supports the view that the condition and age of plant fleets generally has deteriorated and brings nearer the time when customers will seek quality and service, albeit at higher prices," he said.

The group said its tower crane division, which last year incurred a loss, had improved and was expected to make a contribution to profits at the year-end.

In July 31, Hewden paid £11m for the non-operated plant hire assets of BET Group, acquiring 24,000 items of plant and 29 freehold properties. The group said the acquisition increased and complemented its activities in this field, and was expected to contribute to profits in the second half of this year.

Capital expenditure, including the BET deal, amounted to £28m and was financed entirely out of cashflow and cash resources. The group still had net cash at the half-year close, and in August raised more cash by placing 6m shares with institutions at 119p.

Earnings per share rose to 3.6p (2.39p). Sir Matthew said that in a recessionary period where wages and costs needed to be carefully controlled, it would be inappropriate to do other than moderately increase the dividend, which rose to 0.9p (0.875p).

● COMMENT

Sir Matthew was pleased with these results and upbeat about the group's prospects in the second half, as well he might be. The speed with which small increases in demand have been translated into substantial increases in profits is a tribute to how the group has kept on investing, and bodes well for the impact of a stronger recovery. Analysts were pleasantly surprised to learn that there will be some profits this year from the BET deal, which looks like a tax-efficient coup. Forecast profits of £18m put the shares, up 16p to 158p, on a premium prospective multiple of 20, but there are many supposed recovery stocks with a poorer record and outlook.

COMMODITIES AND AGRICULTURE

Coffee price slide continues

By Deborah Hargreaves

COFFEE PRICES dropped by up to $27 a tonne on the London Commodity Exchange yesterday after a wave of selling in New York, where brokers remained sceptical that the producers' new retention scheme would work.

The scheme aims to restrict producers' exports by 20 per cent until the 15-day average of the International Coffee Organisation's composite indicator price rises above 75 cents a lb. Tuesday's ICO average was 70.62 cents, but that was set to fall with London's January robusta futures position slipping to the equivalent of 52 cents a lb yesterday and New York's March arabica position, which fell one and a half cents on Tuesday, down another 0.35 to 74.15 cents in late trading.

In the run-up to the scheme being launched last Friday, London's December delivery price, which closed yesterday at $1,140 a tonne, reached a high of $1,325 a tonne.

"I can see the scheme working temporarily, but if prices go up, the lure of higher prices could attract some increased selling from producers," said Ms Judy Ganes, analyst at Merrill Lynch in New York.

If prices fell too far, she added, producers would wonder why they were spending so much on the scheme and might "throw in the towel".

Firmer commodity markets predicted

By Deborah Hargreaves

COMMODITY PRICES could stage a slight recovery next year from recent depressed levels, but the upturn would be led by increasing demand and supply constraints rather than fears about inflation, said Mr Ravi Bulchandani, senior international economist at Goldman Sachs, the US investment bank.

"There won't be a huge increase in prices, but at last there are more positive signs in the markets," said Mr Bulchandani speaking at Goldman's commodity conference in London yesterday.

Goldman's production cost benchmark, which reflects the break-even cash cost (operating cost, excluding amortisation of capital outlays) of producing commodities, shows now that, overall, sales prices are 8 per cent below the cost of production. This means that most commodity production is not profitable at current prices.

The producers' loss is greatest in base metals such as aluminium and nickel, and agriculturals such as cotton and sugar. Prices for aluminium are 19.9 per cent and for nickel 23.7 per cent below the average costs of producing them. For cotton and sugar the gap is 29 per cent and 20.1 per cent respectively.

Mr Bulchandani pointed out that prices as low as those experienced in recent years would usually have caused large capacity cuts. That had not happened in many commodities, particularly base metals where governments were often involved in running plant.

But at the same time, low prices made it virtually impossible to get bank finance for increasing capacity. For example, Goldman's production cost benchmark puts the cost of producing aluminium at $1,400 a tonne while current prices are around the $1,100-a-tonne level and it would be difficult to get banks to invest at prices much below $1,600 a tonne.

Increasing demand for many basic commodities especially from non-OECD countries could underpin prices in coming months. At the same time, the relative cheapness of the US dollar makes dollar-denominated commodities more attractive in terms of other currencies: this could, in turn, result in greater demand.

The situation in Russia will also have a big effect on commodity prices over the next year. A return to economic stability over the long-term would be beneficial for prices as consumption would increase along with production of commodities such as oil.

However, Mr Bulchandani pointed out that the current chaotic situation in Russia would depress prices as individual producers would be exporting all they could to earn hard currency.

Mr Bulchandani stressed that he did not expect any explosive rally for many of these commodities, but the current trends might prevent prices from falling further in the short term and lead to some recovery in the longer term.

Goldman's price forecasts for most commodities see prices remaining flat for the next three months and showing some pick-up in six months to a year.

Coal plan undermines German villagers' hopes

The people of Horno may have the ground cut from under them, writes Judy Dempsey

BERND SIEGERT had little idea what he was taking on when he was elected mayor of Horno in 1990. The village, located in the eastern German state of Brandenburg, close to the Polish border, had hoped for a better life after German unification. Its 380 inhabitants, mostly farmers, had worked in the large collective farms under the former communists. When they were broken up after 1990, these plain-speaking people bought shares that enabled them to farm their own land.

But the people of Horno had hoped for something even more fundamental from unification: the right to remain in their village. In the 1970s, the communist authorities had decided that Horno, which is over 600 years old, should be flattened to make way for the mining of brown coal. Understandly, following the collapse of industry in eastern Germany after 1990, Mr Siegert and his constituents expected more than a reprieve. They assumed there would be no need to dig for coal under their village.

They were sadly mistaken. The management of Lausitzer Braunkohle, or Laubag, the company that mines the giant brown coal fields straddling the eastern states of Brandenburg and Saxony, appears determined to press ahead with moving the villagers from Horno by the turn of the century.

"We have no intention of moving," declares Mr Siegert, a tall, stocky, 42-year-old farmer. "Of course we want the miners to have jobs, but there is no need to dig for brown coal under Horno. We don't need more energy," he insists. "Even if we did, why can't we have gas? It's cleaner and cheaper. We will not move. Whatever happens, we will stay here. This is our home."

In many ways, Horno's predicament exemplifies not only the difficulties of implementing an energy policy for eastern Germany but also the government's commitment to brown coal as a source of power and employment in the region.

In 1990, in a move aimed at saving the industry – and jobs – the government drew up a energy policy for eastern Germany under which 100m tonnes of brown coal would be mined annually and supplied to Veag, the region's main utility company. Before 1990, lignite accounted for 62 per cent of eastern Germany's primary energy consumption. Since then, electricity demand has fallen by 40 per cent.

The authorities now face uncertainty over whether there will be demand in eastern Germany for this amount of lignite, particularly since there are few signs of an emerging new manufacturing/industrial sector. If not, what will happen to its plans to upgrade or build power generating blocks with an annual capacity of 7,200MW, to be supplied by Laubag's brown coal? A further complicating factor is the possibility that more cities, including Potsdam, the capital of Brandenburg, might well opt for gas instead of brown coal. None of these problems has escaped the attention of Laubag.

Laubag is owned by the Treuhand, the agency charged with privatising and restructuring eastern German industry. The Treuhand is negotiating Laubag's sale with a west German consortium led by Rheinbraun, a subsidiary of RWE, the largest of the west German utilities. In the meantime, the agency is preparing Laubag for privatisation. This entails identifying the most profitable and efficient way of mining, which includes transporting brown coal from the five pits that will remain open to feed the power generating blocks that will be modernised or built by Veag. Veag, which also comes within the Treuhand's ambit, is to be privatised as well.

After unification Horno's residents assumed that there would be no need to dig for coal under their village – they were sadly mistaken

Before 1990, Laubag was producing about 200m tonnes of coal a year and employing over 54,000 people. Today, it produces about 89m tonnes and employs 25,000 people. Mr Kurt Häge, a member of Laubag's board, expects that figure to fall further to 14,000.

To reduce costs in Laubag and make it more attractive for privatisation Laubag's management has decided to close several mines south of Horno, although they have sufficient brown coal reserves of a quality as good, if not better, as those under Horno, and there is a railway line linking them to the power plants. Essentially, the Treuhand wants to centralise the production and burning of brown coal as much as possible.

"It is about costs," explains Mr Häge. He believes that by mining under Horno and the surrounding region, which right next to the Jänchwalde power plant, transport costs will be reduced. Jänchwalde, which has a capacity of 3,000MW, requires an annual supply of 24m tonnes of coal. Mr Häge calculates that mining around Horno, rather than moving brown coal from mines 25km away, will save Laubag between DM4 (£1.6) and DM7 a tonne in transportation costs. That would makes it even more attractive for prospective buyers.

But in order to mine under and around Horno, Laubag requires mining rights for 40 years. The time scale is crucial because the Treuhand is insisting that the Rheinbraun consortium should agree to sell an annual 57m tonnes of lignite to Veag for 40 years.

"We have to have these long term coal contracts because it will secure the economic viability of Laubag, and we have to lock the consortium into a price structure for this coal," explains Mr Helmut Ballon, head of the Treuhand's mining department.

But it is not as simple as that.

Even if the consortium agrees to these contracts, the governments of Brandenburg and Saxony have to be persuaded to grant long-term mining rights to Laubag. So far they have granted 30 and 20 years respectively. "The mining rights pose social and political problems for these governments," says Mr Klaus Schucht, a board member of the Treuhand. "Long term mining rights means that people will have to be moved out of their villages," he adds.

To make up any possible shortfall between coal delivery contracts and mining rights, the Treuhand is proposing that it pay compensation to the buyers of Laubag, who in turn would have to compensate Veag for any failure to deliver. A similar formula is being worked out for Mitteldeutsche Braunkohle, or Mibrag, brown coal fields in Saxony-Anhalt and Saxony. They are being bought by an Anglo-American consortium, led by Britain's PowerGen, NRG of Minneapolis, and Morrison Knudson of Idaho, and they will supply coal over 40 years to the 1,600MW power blocks Veag is building at Lippendorf

But over the next 40 years, the energy landscape in eastern Germany is likely to change. The success of the government's commitment to brown coal depends on the development of the region's manufacturing and industrial base. But in addition gas, especially for domestic heating, is likely to emerge as a powerful competitor to brown coal. This explains why the Treuhand is desperate to privatise Laubag and Veag quickly, so as to speed up investments in modernising Veag before gas becomes a player in the market.

The Treuhand has the support of the miners at Laubag and Mibrag, who would resist any attempts to cut production of brown coal. But for the people of Horno, and Mr Siegert in particular, gas, or other alternative supplies of energy would be a Godsend.

Rheinbraun and the Anglo-American consortium are holding their breath.

Demand forecast to remain flat

By Frances Williams in Geneva

WORLD COAL trade is expected to fall this year in both volume and value terms and a return to the high growth rates of the past looks improbable, according to the United Nations Economic Commission for Europe.

In its annual report on the coal situation, the ECE predicts a 0.5 per cent decline in world imports to about 409m tonnes this year, compared with a rise of 1 per cent rise last year and 6 per cent annual growth in the late 1980s.

Further growth in international coal trade will depend on demand for steam coal, the ECE suggests. The coking coal market is in long-term decline because of changing steel-making technologies.

World coal production increased slightly last year, though total consumption fell. The ECE expects global coal demand to remain fairly flat over the next five to ten years at about 4.5bn tonnes but then to pick up as oil and gas become scarcer. Output fell sharply in 1992 in central and eastern Europe, notably in the Ukraine. The decline is forecast to continue until industrial output in the region stabilises. However, Russia hopes to boost output by 10 per cent a year for the rest of this decade.

Coal still provides 44 per cent of the world's electricity, the ECE points out. Though the steady tightening of environmental regulations and control of carbon dioxide emissions could induce some countries to switch to alternative fuels, large amounts of coal will still be required for power generation for the next two decades and beyond to meet rising electricity demand.

Tenancy deregulation proposal angers UK farmers

By Alison Maitland

BRITAIN'S FARMERS' union yesterday angrily rejected long-awaited government proposals to free the market in agricultural land by removing tight restrictions that have discouraged landowners from letting.

Mrs Gillian Shephard, agriculture minister, said that new legislation would leave landlords and tenants free to make their own agreements without government interference.

The measures were welcomed by the Country Landowners' Association but they brought a dusty response from the National Farmers' Union.

The union said they would jeopardise the viability of future farm lettings because they did not specify any formula for rent reviews.

"They totally ignore the desperate need to protect tenants from upwards only rent demands," said Mr David Naish, NFU president. "Farmers will view these proposals as an abdication of the government's responsibilities to their industry."

Under existing legislation, which is widely held to be in need of reform, farm tenancies are for life and the government dictates how they should be assigned and allows tenants to decide what crops they grow. Deregulation would affect only future tenancies.

Mrs Shephard said the government wanted to redefine agricultural tenancies to include a range of farm-based enterprises in an attempt to encourage diversification and benefit the rural economy.

Only three safeguards would be attached to letting arrangements:

- That tenants should be fully compensated for improvements they make to the value of their holdings;
- That either side should have access to simplified arbitration to settle compensation disputes rather than having to resort to the courts;
- And that landlords must give a minimum of a year's notice of the end of a tenancy.

Mrs Shephard said formidable barriers faced anyone wanting to buy their way into farming, with the cost of starting a basic dairy farm of 40 cows amounting to £300,000 at current land prices.

"Yet the obvious alternative of renting land is not readily available," she said. "As long as the government decides the detailed conditions on which tenants may lease land it is inevitable that landowners will remain reluctant to make it available."

Mrs Shephard, who is acting on a Conservative Party manifesto commitment from the 1992 general election, was unable to promise legislation in next year's busy parliamentary timetable. If the proposals are held over, legislation would not come into force until 1995.

The Country Landowners' Association said: "What is crucial now is that parliamentary time is found as soon as possible".

Iraq talks failure boost oil

By Robert Corzine in London and Michael Littlejohns, UN Correspondent, in New York

OIL PRICES got a boost yesterday after talks in New York between the United Nations and Iraq on the sale of up to $1.6bn worth of oil failed. Brent Blend for November delivery was 13 cents higher in London at $17.24 a barrel.

Mr Vahan Zanoyan, a director at the Petroleum Finance Company in Washington, said the Iraqi decision to call off the talks "removed a bearish cloud" from the markets and was likely to "eliminate caution from the bulls".

The prospect of Iraq's early re-entry into international oil markets has been a factor behind recent low oil prices. It has also unsettled the Organisation of Petroleum Exporting Countries, which last week said it would call an emergency meeting if Iraq's talks with the UN were successful.

The Iraqi decision was conveyed during a meeting between Mr Mohamed al-Sahaf, the foreign minister, and Mr Boutros Boutros Ghali, UN secretary general.

Officials said the Iraqis were evidently not interested in the one-off sale of $1.6bn worth of oil, the amount set in a Security Council resolution two years ago and the subject of exhaustive negotiations. Their aim now was the total lifting of sanctions in return for their compliance with all the conditions set by the council in its ceasefire resolution.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA futures prices yesterday extended the retreat that began after overhead resistance was encountered on Tuesday morning. The March futures price at the London Commodity Exchange closed £21 down at £950 a tonne and some traders were expecting a corrective move to develop, following the recent sustained rise. "We had been expecting a washout and it came today," said one trader. "The market needs to correct itself but opinions vary over how low it can go. Some people put the move back to £830 to £840 a tonne. . . some say it could go further." NICKEL and TIN markets, the London Metal Exchanges weakest contracts of late, maintained earlier advances in the afternoon, with both metals ending firmer and around their highs after late kerb covering. Dealers said short-term factors were responsible as both remained depressed by long-term fundamentals, and the current upticks were generally seen as snap rallies in a bear market. The COPPER market consolidated, with routine business seen either side of the $1,700-a-tonne level for the three months position, which ended $10 up at $1,699.50.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$15.08-5.14z	+0.225
Brent Blend (dated)	$16.93-6.95	+0.140
Brent Blend (Nov)	$17.23-7.25	+0.130
W.T.I (1 pm est)	$18.59-8.61z	+0.105
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$187-189	
Gas Oil	$177-178	+2
Heavy Fuel Oil	$60-62	-1
Naphtha	$158-160	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$355.75	+2.50
Silver (per troy oz)♣	419.5c	+16.00
Platinum (per troy oz)	$359.60	+3.60
Palladium (per troy oz)	$124.50	+0.60
Copper (US Producer)	86.0c	+0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.00m	+0.10
Tin (New York)	205.0c	+1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.56p	-3.75*
Sheep (live weight)†♣	80.51p	+1.19*
Pigs (live weight)†	83.44p	-3.15*
London daily sugar (raw)	$267.8	-2.2
London daily sugar (white)	$287.5	-0.5
Tate and Lyle export price	£288.0	-1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£166.5u	
Rubber (Nov)♥	59.50p	+0.50
Rubber (Dec)♥	58.75p	+0.50
Rubber (KL RSS No 1 Jul)	200.5m	+1.0
Coconut oil (Philippines)§	$412.5v	+2.5
Palm Oil (Malaysian)§	$325.0z	-2.5
Copra (Philippines)§	$270.0	-2.5
Soyabeans (US)	£166.5u	+1.5
Cotton "A" index	55.20c	
Wooltops (64s Super)	323p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Nov/Dec u-Oct t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago. provisional prices.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High	Low
Nov	17.21	17.01	17.30	17.05
Dec	17.42	17.26	17.49	17.30
Jan	17.60	17.48	17.64	17.50
Feb	17.70	17.59	17.72	17.61
Mar	17.75	17.69	17.75	17.68
Apr	17.84	17.70	17.84	
IPE Index	17.02	17.23	17.02	

Turnover 28711 (38418)

GAS OIL – IPE ($/tonne)

	Close	Previous	High	Low
Oct	173.25	172.25	173.50	172.50
Nov	174.00	173.25	174.00	172.75
Dec	174.50	173.75	174.75	174.00
Jan	174.75	174.50	175.00	174.25
Feb	173.50	173.25	173.50	173.25
Mar	172.00	171.50	172.25	171.25
May	168.50		168.50	168.50
Jun	167.25	166.50	167.50	167.00

Turnover 11015 (16850) lots of 100 tonnes

SUGAR – LCE ($ per tonne)

White	Close	Previous	High	Low
Dec	283.00	278.50	282.00	279.60
Mar	284.90	282.50	284.00	282.20
May	286.40	284.50	285.10	
Aug	290.00	288.20	288.90	288.60
Oct	282.30	281.20	283.00	281.10

Turnover 1725 (810) Paris- White (FFr per tonne): Dec 1605.87 Mar 1634.33

WOOL

The Australian wool market has continued to move steadily dearer, and the AWC market indicator, at 442 cents a kg. on October 6, is getting close to the high point of the season, 459, when sales were resumed in July. Clearances at auction are also good, over 90%. As always, strength in primary markets is causing more buying interest in wool using markets, though over-supply and recent erratic weakness in the Australian dollar make price rises difficult to establish.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High	Low
Mar	11.06	10.96	11.00	10.87
May	11.18	11.04	11.12	10.99
Jul	11.43	11.28	11.32	11.22
Oct	11.32		11.18	

Turnover 409 (480) lots of 50 tonnes.

COCOA – LCE (£/tonne)

	Close	Previous	High	Low
Dec	933	947	946	932
Mar	950	971	968	949
May	954	976	974	954
Jul	968	976	974	956
Sep	957	977	977	957
Dec	969	977	972	963
Mar	958	979	976	966
May	962	979	977	960
Jul	967	982	982	975
Sep	973	987	984	970

Turnover: 10278 (8932) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 5 944.18 (944.85) 10 day average for Oct 6 921.53 (918.03)

COFFEE – LCE ($/tonne)

	Close	Previous	High	Low
Nov	1141	1167	1144	1130
Jan	1148	1172	1160	1139
Mar	1141	1163	1144	1134
May	1137	1161	1143	1130
Jul	1137	1160	1151	1140
Sep	1137		1140	

Turnover: 2591 (1945) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 5 Comp. daily 66.41 (66.83) 15 day average 70.62 (71.11)

POTATOES – LCE (£/tonne)

	Close	Previous	High	Low
Apr	89.2	87.0	89.0	88.0
May	104.0	100.6	105.0	104.0

Turnover 76 (164) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High	Low
Oct	1419	1427	1423	1416
Nov	1433	1430	1430	1425
Dec	1430	1435	1430	
Jan	1427	1443	1440	1425
Apr	1440		1435	
Jul	1250		1250	
Oct	1440		1440	
BFI	1402	1406	1402	

Turnover 149 (158)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High	Low
Nov	99.85	99.80	99.95	99.50
Jan	100.75	101.00	101.25	100.70
Mar	102.75	102.95	103.20	102.75
May	104.60	104.95	105.10	104.60
Sep	93.00		93.00	93.00
Barley	**Close**	**Previous**	**High**	**Low**
Nov	102.00	102.35	102.10	102.00
Jan	104.00	104.30	104.00	104.00
Mar	105.95	106.15	106.00	106.00
May	107.65	108.00	107.80	107.75

Turnover: Wheat217 (566) Barley 46 (69)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,108 lots
Cash	1093.5-4.5	1090.5-1.5		1092.5-3.0		
3 months	1114-5	1111.5-2.0	1116/1112	1113-3.5	1114-4.5	240,329 lots
Copper, Grade A ($ per tonne)						Total daily turnover 133,661lots
Cash	1672.5-3.5	1653-4	1679/1677	1679-80		
3 months	1697-8	1686-7	1705/1686	1702-3	1699-700	187,417 lots
Lead ($ per tonne)						Total daily turnover 4,735 lots
Cash	360-1	355-6		358-9		
3 months	373-4	369-70	377.5/371.5	371-1.5	376-7	22,718 lots
Nickel ($ per tonne)						Total daily turnover 11,212lots
Cash	4265-70	4110-20		4220-1		
3 months	4315-20	4160-70	4350/4165	4270-1	4340-50	46,075 lots
Tin ($ per tonne)						Total daily turnover 1,860 lots
Cash	4475-85	4380-90		4480-90		
3 months	4525-30	4430-40	4560/4470	4530-5	4560-70	11,076 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,974 lots
Cash	899-900	904-5		897-7.5		
3 months	914.5-5.0	919-19.5	916/911	912-3	913-4	83,915 lots

LME Closing £/$ rate
SPOT: 1.5265 3 months: 1.5176 6 months: 1.5082 9 months: 1.5011

LME AM Official £/$ spot rate 1.5265

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	355.60-355.90	
Opening	353.40-353.80	
Morning fix	353.50	233.303
Afternoon fix	356.25	234.021
Day's high	356.50-356.90	
Day's low	353.00-353.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.75	6 months	2.68
2 months	2.71	12 months	2.69
3 months	2.68		

Silver fix	p/troy oz	US cts equiv
Spot	273.80	418.35
3 months	277.60	416.30
6 months	281.40	421.75
12 months	288.85	429.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	353.00-356.00	233.00-236.00
Maple leaf	368.15-368.50	-
New Sovereign	82.00-85.00	54.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	34	60	5	12
1100	17	44	13	20
1125	7	31	28	31
Copper (Grade A)	**Calls**		**Puts**	
1650	52	92	17	33
1700	25	63	40	55
1750	10	42	74	82
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1100	64	95	23	47
1150	37	69	46	71
1200	19	50	78	102
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	72	110	14	15
900	55	93	22	43
925	40	79	32	54
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	25	-	6	27
1750	5	35	37	46
1800	1	19	85	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Oct	356.4	353.0	357.5	354.5
Nov	357.2	353.8	0	0
Dec	358.2	354.8	359.0	355.2
Feb	359.9	356.5	360.2	357.0
Apr	361.6	358.2	361.5	360.5
Jun	363.3	359.9	363.6	362.7
Aug	365.0	361.6	0	0
Oct	366.8	363.4	0	0
Dec	368.6	365.2	368.3	366.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Oct	363.5	357.2	0	0
Nov	363.0	363.0	0	0
Jan	366.1	359.2	367.9	360.5
Apr	367.9	361.0	368.5	363.0
Jul	369.1	362.2	366.0	366.0
Oct	370.6	363.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Oct	426.5	408.3	0	0
Nov	426.5	408.3	0	0
Dec	428.7	408.5	429.5	412.5
Jan	429.9	409.7	0	0
Mar	432.9	412.6	432.5	416.5
May	435.8	415.4	437.0	420.5
Jul	438.6	418.1	433.0	422.0
Sep	441.3	420.7	444.0	431.5
Dec	445.7	425.0	440.0	436.5
Jan	446.9	426.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	74.40	75.20	75.20	74.35
Nov	74.75	75.55	76.60	74.80
Dec	75.10	75.90	75.10	74.95
Jan	75.35	76.15	76.15	75.90
Feb	75.65	76.45	0	0
Mar	75.95	76.75	76.90	75.95
Apr	76.20	76.90	0	0
May	76.45	77.15	77.20	76.45
Jun	76.70	77.40	0	0
Jul	76.95	77.65	77.70	77.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Nov	18.39	18.39	18.70	18.36
Dec	18.60	18.58	18.85	18.59
Jan	18.80	18.71	18.99	18.76
Feb	18.83	18.83	19.02	18.83
Mar	19.05	18.93	19.05	19.00
Apr	19.13	19.01	19.15	19.08
May	19.25	19.09	19.25	19.17
Jun	19.30	19.16	19.30	19.22
Jul	19.33	19.22	19.35	19.27
Aug	19.42	19.27	19.42	19.32

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Nov	56.95	56.43	56.40	55.60
Dec	56.85	56.28	57.20	56.60
Jan	57.25	56.64	57.50	57.10
Feb	57.10	56.54	57.30	57.05
Mar	56.15	55.49	56.25	56.00
Apr	54.95	54.24	54.96	54.70
May	53.80	53.14	53.90	53.70
Jun	53.20	52.59	53.20	53.20
Jul	53.40	52.71	53.40	53.05
Aug	54.15	53.31	54.15	54.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Dec	1146	1204	1207	1144
Mar	1166	1237	1236	1164
May	1195	1250	1247	1196
Jul	1215	1265	1265	1216
Sep	1232	1282	1280	1280
Dec	1244	1294	1290	1282
Mar	1267	1312	1308	1267
May	1282	1327	1310	1305
Jul	1296	1333	1330	1306

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Dec	72.05	71.90	72.20	70.80
Mar	74.50	74.50	74.70	73.50
May	75.85	75.75	76.10	75.00
Jul	77.15	77.50	77.05	76.30
Sep	78.60	79.25	78.50	78.25
Dec	80.70	81.00	0	0
Mar	83.50	83.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	10.87	10.71	10.88	10.65
May	10.95	10.83	10.95	10.72
Jul	10.98	10.90	11.00	10.82
Oct	11.00	10.91	11.00	10.91

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	57.75	56.40	57.10	56.40
Dec	58.80	58.54	58.16	58.70
Mar	60.35	60.02	60.55	60.20
May	61.02	60.70	61.10	60.85
Jul	61.70	61.33	61.70	61.50
Oct	61.75	61.82	0	0
Dec	62.00	61.72	62.00	61.80
Mar	62.76	62.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	129.25	131.35	131.40	128.60
Jan	130.50	132.50	132.40	130.00
Mar	132.00	133.50	25	1.25
May	133.00	134.50	134.25	133.00
Jul	133.90	135.45	134.00	134.00
Sep	134.40	135.95	0	0
Nov	133.00	135.85	133.50	133.40
Jan	133.00	133.95	0	0
Mar	133.00	133.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Oct 6	Oct 5	mnth ago	yr ago
1578.6	1577.4	1638.0	1578.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 5	Oct 4	mnth ago	yr ago
Spot	117.66	117.02	121.83	113.59
Futures	125.60	125.34	125.79	114.94

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Nov	609/4	608/0	611/4	608/0
Jan	613/4	612/6	618/0	613/4
Mar	620/2	619/6	625/0	619/4
May	624/4	624/6	629/0	624/0
Jul	628/6	628/6	633/4	626/0
Aug	629/4	629/4	631/4	629/4
Sep	621/0	620/0	623/4	621/0
Nov	614/0	614/2	618/4	613/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Oct	22.53	22.61	22.75	22.48
Dec	22.61	22.71	22.83	22.54
Jan	22.73	22.78	22.88	22.62
Mar	22.84	22.89	23.02	22.73
May	22.85	22.88	23.05	22.73
Jul	22.80	22.80	23.03	22.73
Aug	22.63	22.65	22.85	22.60
Sep	22.50	22.43	22.70	22.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Oct	189.0	187.7	189.3	188.5
Dec	188.4	187.5	189.4	188.2
Jan	189.1	188.3	190.2	189.1
Mar	190.5	190.0	191.7	190.5
May	191.7	191.5	193.3	191.7
Jul	193.7	193.7	195.5	193.7
Aug	194.0	194.0	195.5	194.0
Sep	193.8	194.2	196.0	193.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Dec	238/2	236/4	239/2	237/4
Mar	248/4	244/6	247/6	246/0
May	251/6	250/2	252/6	251/2
Jul	255/0	253/2	255/6	254/4
Sep	250/6	250/0	251/0	250/4
Dec	245/4	245/4	246/2	245/2
Mar	252/0	252/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Dec	317/2	314/2	317/6	315/0
Mar	322/0	319/4	322/4	319/6
May	318/0	316/2	319/0	316/4
Jul	309/4	306/6	310/0	307/2
Sep	314/0	313/0	0	0
Dec	323/0	324/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	71.825	72.325	72.350	71.800
Dec	73.625	74.275	74.300	73.600
Feb	74.675	75.275	75.200	74.600
Apr	75.875	76.300	76.275	75.750
Jun	72.275	72.675	72.775	72.250
Aug	71.075	71.450	71.500	71.050
Oct	71.600	71.850	72.050	71.600

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High	Low
Oct	49.325	49.650	49.475	49.075
Dec	50.225	50.800	50.750	50.150
Feb	49.825	50.275	50.275	49.750
Apr	47.425	47.950	47.900	47.375
Jun	51.750	52.125	52.000	51.650
Jul	50.350	50.925	51.000	50.350
Aug	49.225	49.450	49.300	49.225
Oct	45.300	45.550	45.500	45.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	57.800	57.675	58.150	57.250
Mar	57.350	57.400	57.825	57.050
May	56.800	57.250	57.750	56.800
Jul	57.000	57.375	57.550	56.800
Aug	55.975	56.475	55.975	55.000

LONDON STOCK EXCHANGE

FT-SE 100 Index reaches new peaks

By Terry Byland, UK Stock Market Editor

NEW PEAKS on the FT-SE 100 Share Index yesterday signalled another successful trading session in London as global fund managers continued to buy equities across the range of European bourses. Early gains in London were halved when profit-takers appeared both in equities and stock index futures, but a strong opening on Wall Street helped the Footsie to close at 3,100.8, a gain of 15.6 on the day, and just 0.2 above the previous closing high. The market capitalisation of the Footsie-listed stocks moved above £500bn for the first time.

News that domestic car sales gained more than 11 per cent last month provided a curtain-raiser for today's speech by Mr Kenneth Clarke, the chancellor of the exchequer, to the annual conference of Britain's Conservative party.

Firmness in Far Eastern stock markets overnight provided fresh support for the opening of the London market, and an early gain of 5.1 on the Footsie was quickly extended when the December contract on the Index came in once again at a strong premium.

Stock market traders spent the rest of the session watching the play between the Footsie and the futures contract. By mid-morning, the FT-SE Index was 31.1 ahead at 3,116.3, a new intra-day trading peak.

At this stage, the Footsie was 77 points, or about 2.5 per cent, up since last Friday. Hardly surprisingly, the pace proved too hot to maintain and the premium on the futures contract diminished and profits were taken in the underlying blue chip stocks. Trading volume was not excessive and the Footsie dropped back below the 3,100 market as Wall Street made an initially uncertain start to the new session.

But equities resumed the upward path after Wall Street turned strongly higher, showing a gain of 16 points on the Dow Industrial Average during UK trading hours.

Stock markets have recovered confidence following the conclusion of the political crisis in Russia, with London again finding the US buyers who had backed off last month when they switched to the French and German markets.

In the UK market, hopes that base rates may be cut soon have quickened during the Conservative party conference now unfolding in Blackpool, the north of England seaside resort. Equity market optimism was sustained yesterday by firmness in the government bond market.

Confidence continued to spread across the full range of the stock market, lifting the FT-SE Mid 250 Index by 13.9 points to 3,471.6 – this Index peaked at 3,513.3 at the end of August. Business in non-Footsie listed stocks, at around 53 per cent, returned to average daily levels.

Trading volume increased towards the close but the day's Seaq total of 696.4m shares remained short of Tuesday's 774.3m, which was worth £1.33bn in retail business.

Oil shares rebounded yesterday and there was support for the pharmaceuticals. But the strongest features were the interest rate-orientated sectors, including properties, merchant banks and construction issues.

The stock market hopes for a buoyant speech from the chancellor of the exchequer, and hopes he will set the scene for a November budget which will be stimulative for the domestic economy and favourable to prospects for the equity market.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Sep 20	Oct 4	Oct 18
Option Declarations:	Sep 30	Oct 14	Oct 28
Last Dealings:	Oct 1	Oct 15	Oct 29
Account Day:	Oct 11	Oct 26	Nov 8

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3100.8 +15.6	3471.6 +13.9	1533.47 +7.04

Hourly movements

FT-SE Actuaries 350 Industry Baskets

Brewery stocks on alert

NEWS OF the share restructuring at Whitbread, which will enable it to raise cash by means of equity rights, prompted speculation over the drinks group's strategy, and in particular over whether it is about to hit the acquisition trail. Speculation was heightened by the list of investments held by the Whitbread Investment Company (WIC), swallowed up by Whitbread as part of the restructuring move.

The deal takes Whitbread's holding in Boddington and Marston to 21 per cent each, six per cent above the ceiling demanded by the government's Beer Orders. Favourite among drinks analysts to receive attention from Whitbread is Marston, which has strong beer brands and a profitable managed estate.

Regional brewers aside, WIC's investments in FT-SE stocks total around £250m, and analysts expect many of these to be off-loaded in the coming months. The drinks sector in particular, where WIC is heavily invested, is likely to see increased trading activity.

There was speculation that Greene King might be a candidate to buy WIC's 14.9 per cent stake in Morland, the company which it failed to land last year and in which it still holds a 29.3 per cent stake.

Among retail outlets being hinted at as potential targets was Pizza Express.

However, yesterday's share price movements suggested that the market was more concerned about stock overhangs than bid premiums. Boddington's had a weak session, although rallied to close steady at 260p. Marston slid 7 to 266p, Vaux a penny to 247p and Morland 8 to 525p. Elsewhere, Greene King steadied at 557p, as did Pizza Express at 107p. Whitbread 'A' shares stayed at 534p and the 'B' shares fell 188 to 1200p.

Mr Kevin Feeny at Henderson Crosthwaite said: "I believe the deal is a good one because it is non-dilutive and gives Whitbread access to ready cash in the form of investments." He added that the accompanying upbeat statement augured well for current trading.

Ladbroke concern

News that Ladbroke, the gaming and leisure group, was being forced back to court today to argue for the continuation of its injunction against the Mail on Sunday, the UK newspaper, hung over the shares yesterday.

They closed a penny off at 180p, against the strong trend of the market, in above average turnover of 2.8m. The newspaper is hoping to get the ban lifted or to have its restrictions eased.

Ladbroke obtained the injunction 10 days ago to prevent the Mail from repeating allegations about the company's relations with its bankers. However, the episode heightened concern among investors and commentators regarding Ladbroke's sensitivity over the issue, and prompted a spate of negative press comment.

BAe hit again

Further fears that the proposed £250m regional jets joint venture between British Aerospace (BAe) and Taiwan Aerospace Corporation (TAC) was close to collapse sent shares in one of the UK's biggest manufacturing companies tumbling for the second day in row.

The shares were down 15 to 396p in early trading after TAC's acting president said his directors would vote on the issue on October 19.

However, the news only served to increase uncertainty pver the deal with traders paying little heed to a statement from BAe saying the Taiwanese government still backed the venture.

Bargain hunters in the afternoon helped the stock recover some of the lost ground and the shares finished 12 off at 399p, the second time the shares have closed below 400p since July. Explaining the market's jitters, Mr Chris Avery at Paribas said: "The market had not fully discounted the possibility of closure of the regional jets division and the cash outflow that would go with it if the deal does not go ahead."

Sentiment in BAe was further weakened by a sell recommendation from Robert Fleming, due to land on investor's desks today.

The oil sector rebounded yesterday as cheap buyers followed closely on the heels of the previous day's slide in share prices. In a generally firm sector the main players staged the best performance.

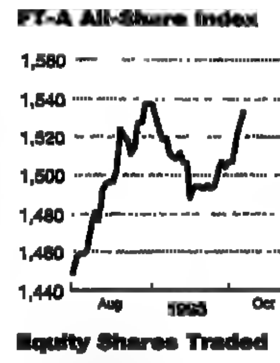
Oil prices softened after trying to stage a modest rally and analysts saw the recovery in share prices as little more than a knee jerk reaction to the previous day's session in which they took a largely unwarranted bruising.

Some optimism over the announcement by Shell and BP of their joint venture to develop oil and gas exploration in the Gulf of Mexico helped buoy those stocks. Another boost to the larger oil stocks was the recommendation by brokers Strauss Turnbull. Shell went ahead 3 to 682p in moderate volume while BP moved up 5¼ to 326½p, again in reasonable volume.

A further driving force in oils was the relentless interest of US buyers, according to a couple of analysts.

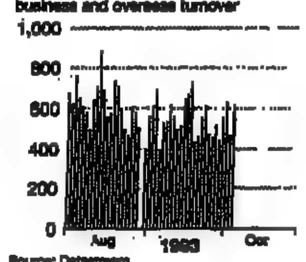
Burmah gained 6 to 788p, Lasmo added 2 to close at 140½p. Enterprise also improved by 2 to reach 470p. Cairn Energy added 3 to 67p with its quoted price touching 69p at one point, according to an oil analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

Interim figures from Bank of Scotland at the top end of expectations cheered the market, helping the shares firm 3½ to 184p in strong trade of 7.7m, as analysts upgraded expectations of full-year profits.

Half-time profits jumped 58.4 per cent to £117.6m against a range of forecasts of £93m to £120m. The range for the full year is now £260m-£280m against a previous £210m-£230m.

Hopes of a reduction in interest rates continued to boost Abbey National where the shares put on another 6 to to 437p.

Strong two-way business in Hanson brought the day's biggest turnover at 32m, the shares closing 3 ahead 267p.

Among insurance stocks, Royal Insurance eased 3 to 325p after Smith New Court placed 6.5m shares. The broker was reported to have placed the stock at 335p.

A clutch of positive recommendations boosted British Airways and the shares firmed 2 to 370½p. The stock is favoured by NatWest Securities, SG Warburg and Smith New Court. Smith also recommended BAA, the UK airports operator, and the shares put on 10 to 880p.

Among engineering stocks, a positive note on TI Group from NatWest Securities helped the shares gain 8 to 371p, and it was a recommendation from the same house that saw FKI advance 7 to 168p. Cookson Group put on 6 to 204p following a buy recommendation from Nomura.

Concerns about future prospects hurt FR Group and the shares lost 6 to 252p. A bullish note from Credit Lyonnais for Fenner saw the shares put on 8 to 110p.

Construction group Hewden-Stuart gained 16 to 158p after the announcement of interim pre-tax profits of £9.1m ahead of expectations. Analysts had predicted profits of around £8m. Mr David Taylor of UBS said: "The good performance was a consequence of fewer bad debts and better management."

News of a slowdown in the German construction industry helped ease RMC down 8 to 825p and Redland 10 to 555p. UK housing start statistics, showing 4 per cent fall in the three months to August, assisted the slide.

The move by Coats Viyella to redeem early preference stock dated November 2004 gave the share price a boost as the market responded well to the implications for a rise in earnings per share and a fall in gearing. The shares gained 8¼ to 268¼p.

Courtaulds Textiles bounced after its recent dull run, the shares added 16 to reach 540p. Thin trading contributed to the price rise but one analyst also believed that investors were beginning to realise that the stock had started to look oversold.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Saqib Qureshi,
Christine Buckley.

■ Other statistics, Page 31.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (221).
BRITISH FUNDS (6) AMERICANS (1) Chrysler, BANKS (7) Abbey National, Barclays, Natl. Australia, Natl. Westminster, Royal Bank of Scotland, Standard Chartered, TSB, BREWERS (4) Matthew Clark, Regent Inns, Scot. & Newcastle, Whitbread A, BLDG MATLS (6) CRH, Derby, Marshalls, Meyer, Wolseley, BUSINESS SERVS (3) Hutch. Whmp., OIS Intl. Insp., Serco, CHEMS (2) Canning (W), Halstead (J), CONGLOMERATES (4) Hanson, Do. 9½pc Bd., Jardine, TT, CONTG & CONSTRCN (4) AMEC, CALA, Hewden-Stuart, Westbury, ELECTRICALS (2) Arlen, Chloride, ELECTRICITY (7) China Light, East Midlands, Nat. Power, Nthn. Ireland, South Wales, Southern, Yorkshire, ELECTRONICS (6) Amstrad, GEC, Kewill, Macro 4, Phonelink, Tunstall, ENG GEN (4) FKI, Fenner, Renold, Senior, FOOD MANUF (1) Carr's Milling, FOOD RETAILING (1) M & W, HEALTH & HSEHOLD (3) IWP, UniChem, Westminster Healthcare, HOTELS & LEIS (3) Granada, Do. Pf., Rank, INSCE BROKERS (1) Archer (A.J.), INSCE COMPOSITE (2) GRE, Gen. Accident, INSCE LIFE (3) Legal & General, London & Manchester, Prudential, INV TRUSTS (63) MEDIA (4) HTV, Reed Intl., Watmoughs, Yorkshire Tyne-Tees [illegible] MERCHANT BANKS (4) Hambros, Joseph (L), Warburg (S.G.), Wintrust, MTL & MTL FORMING (1) Cook (Wm), MISC (8) Airsprung Furniture, Black (P), Brit. Bloodstock, Christies Intl., Danka Bus. Systems, Great Southern, Ricardo, Spandex, MOTORS (3) ERF, Fleet Tech., Trinity, OIL & GAS (4) Alliance Res., Cairn Energy, Santos, Shell Trans., OTHER FINCL (7) Aberdeen Tst., Cater Allen, EFT, Perpetual, Smith New Court Pf., St. James's Place Cap., Swire Pacific A, OTHER INDLS (4) B.H. Prop., Charter, Morgan Crucible Pf., Whatcroft, PACKG, PAPER & PRINTG (2) Arjo Wiggins Appleton, Bunzl, PROP (12) Asda, Bolton, Chesterfield, Do. Pf., Derwent Valley, Land Securities, PSIT, Savills Gordon, Southend Prop., St. Modwen, Tops Ests., Town Centre, STORES (2) Austin Reed, Marks & Spencer, TELE NETWORKS (2) Cable & Wire., Do. 7pc Cv. 2006, TEXTS (7) Coats Viyella, Drummond, Forminster, Shani, Shiloh, Sirdar, Victoria Carpet, TRANSPORT (7) Assoc. Brit. Ports, BAA, Brit. Airways, Do. 9¾pc Cv., Manchester Ship Canal, P & O 5½pc Pfd., Powell Duffryn, WATER (1) South West Water, MINES (1) Antofagasta.
NEW LOWS (16).
BRITISH FUNDS (3) CHEMS (1) Courtaulds, ELECTRICALS (2) Burnfield, Lec Refrigeration, ELECTRONICS (1) Linx Printing Techs., ENG GEN (2) Beauford, Wheeso, HEALTH & HSEHOLD (1) Drew Scientific, INSCE BROKERS (1) Marsh & McLennan, MEDIA (2) Gold Greenlees Trott, Scottish TV, MISC (1) Beckenham, OTHER FINCL (1) Policy Portfolio, OTHER INDLS (1) Kalsey.

FINANCIAL TIMES EQUITY INDICES

	Oct 6	Oct 5	Oct 4	Oct 1	Sep 30	Year ago	*High	*Low
Ordinary share	2355.4	2345.8	[illegible]	2312.8	[illegible]	1847.3	[illegible]	2124.7
Ord. div. yield	3.97	3.98	4.00	4.02	4.02	4.76	4.52	3.82
Earning yld % full	4.67	4.68	4.70	4.73	4.72	7.01	6.38	4.51
P/E ratio net	27.37	27.30	27.15	26.98	27.05	18.08	28.30	19.40
P/E ratio nil	25.25	25.19	25.06	24.90	24.98	16.77	26.14	18.14
Gold Mines	182.4	182.6	182.5	186.3	184.9	78.6	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2347.3	2352.9	2365.4	2367.4	2360.1	2354.6	2356.9	2356.1	2355.6	2370.9	2347.3

Volume	Oct 6	Oct 5	Oct 4	Oct 1	Sep 30	Year ago
SEAQ Bargains	32,315	31,429	29,295	32,711	30,352	[illegible]
Equity Turnover(£m)†	-	[illegible]	1077.5	1371.3	1612.1	1050.5
Equity Bargains†	-	35,092	33,323	38,625	34,403	20,880
Shares traded (mil)†	-	628.5	472.4	629.2	582.1	442.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS — **BRITISH FUNDS - Cont.** — **BRITISH FUNDS - Cont.** — **OTHER FIXED INTEREST**

Continued on next page

CROSSWORD

No.8,273 Set by ALAUN

ACROSS
1 He's back on the line (8)
5 Returning ferrets about in the woods (6)
9 It starts hissing like a snake that's got angry (8)
10 Claim support in a possibly bitter case (6)
12 A number agreed perhaps it is young (6,3)
13 The snag about the clasp? (5)
14 Abandoned, wouldn't eat (4)
16 Also having a metal stand (7)
19 So it could be taken inside, he had lifted it up (7)
21 Appreciates they are unpleasant remarks (4)
24 Do for, though not carrying a weapon (5)
25 Emphasise that it's one of the lower rows (9)
27 Return for, having got well (6)
28 Praise the half-baked won't get (4,4)
29 Eager to get into, for instance, the drawing room (6)
30 Sings a song amid the carnage (8)

DOWN
1 It was transported on ahead and is ready for your arrival (6)
2 Managing to fix in the tooth (6)
3 Be good enough to wait (5)
4 Most recently hatched, prove more durable than the others (7)
6 Spot at the station? (6,3)
7 Invalidate what is an obvious run-out (8)
8 Furious, you understand, over the article (8)
11 A female few have time for (4)
15 A number will be pulling out (9)
17 Suitable vegetable for an Easter meal? (8)
18 Sticks the wire, coiled up, into the food (8)
20 You may beat it and drive home! (4)
21 Was a good mimic and made money (3,4)
22 Refuse to acknowledge one's depressed about it (6)
23 Forces back, but it is disgusting (6)
26 Count on to cover a race (5)

Solution 8,272

JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

THE carrot of an early interest rate cut persisted in coaxing derivatives investors to the market and pushed the FT-SE future higher, Christine Buckley writes.

While some doubts continued whether rate cut hopes would become reality, it was difficult for traders to swim against an optimistic tide and buying of the December contract on the FT-SE 100 was almost frenzied early in the session, according to one trader.

Continuing the pattern of recent days, US buyers figured large as purchasers along with local traders.

December opened at 3,128 and quickly climbed to its day's high of 3,148. But as the cash market reached an all-time high a sense of perspective began to curb derivative excitement and the contract began to fall back. Just before lunch it dipped down to 3,122.

Volume notched ahead of recent levels and broke the 10,000 mark to close at 10,706 contracts traded. At the official end of trading December stood at 3,131 – a premium of just over 30 points to cash and just over 9 points in front of its fair value premium to cash.

A quieter day was seen in traded options after the previous day's high volume. The number of lots traded fell back over 14,000 to 32,420. Of the stock options Hanson was the most heavily traded at 2,877 lots with Amstrad in second place at 1,992 lots.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17¼xd	+⅛	20⅛	15⅜	14,907	2.6
Allegheny & W ♥	552½p	–	722p	398p	316.3	3.6
Amdahl	396p	–	591p	294p	444.7	0.8
Amer Cyanamid	36¼	–	38⅜	31¼	3,248	3.2
Amer Express	23⅞xd	+⅛	25⅞	14⅞	11,339	2.8
Amer T & T	38⅛xd	–⅛	43¼	33⅛	51,490	2.3
Ameritech	58¼	–	58¼	46	24,628	4.4
Anheuser-Busch	30¼	+¼	41¼	29¼	8,353	3.2
BankAmerica	29⅞xd	–¼	38⅛	27⅛	10,378	3.2
Bankers NY	52⅞xd	–⅛	54¼	42⅞	4,349	3.9
Bell Atlantic	40⅞	–	42⅞	32¼	17,769	4.4
BellSouth	38½	–	41	32⅞	19,513	4.7
Bethlehem Steel ♥	9⅝xd	+¼	13¼	8⅛	871.1	–
Bowater	1221pxd	–	1652p	1169p	442.4	3.3
CPC	28⅞xd	+⅛	34⅝	26	4,425	3.0
California Engy	1178p	–	1479p	1088p	214.5	–
Chase Manhattan	24⅛xd	–⅛	24⅞	17⅛	3,834	3.3
Chrysler	32⅝xd	+⅛	32⅞	21¼	9,553	1.2
Citicorp	25⅜xd	–	25½	13⅛	9,275	–
Colgate-Palm	35xd	+⅛	45⅝	32	5,746	2.7
Cont'l Bank	1745p	–	1877p	1276p	1,767	2.3
Dana	38¼xd	+¼	38⅞	29⅞	1,786	2.8
Data General	643p	–	851p	527p	177.4	–
Decora Inds. ♥	101½p	–	146p	101½p	–	–
Dun & Brad	40⅞	–	42¼	37¼	7,343	4.0
Eaton	33½	–	34	29⅞	2,330	2.4
Echlin	20⅞xd	–⅛	21⅛	15⅛	1,178	2.3
FPL	26⅞xd	+⅛	27⅞	23¼	4,780	5.3
Ford Motor	37⅛xd	–⅛	37⅞	28⅛	18,418	2.8
Gen Elect	63⅛xd	–⅛	67⅛	53⅞	83,984	2.7
General Host ♥	518½p	–	723p	456p	–	4.4
Gillette	38⅞xd	+⅛	42⅞	31⅛	8,560	1.4
Hasbro	20⅞	–	20⅞	20⅞	1,819	0.8
Honeywell	23⅞xd	–⅛	28½	20⅞	4,963	2.5
Houston Inds	30½	–	33¼	28¼	3,950	6.6
Ingersoll-Rand	24¼xd	–	25⅞	19⅞	2,598	1.9
Lockheed	42½	–	45⅝	35¼	2,635	3.3
Lowe's	3065p	–	3086p	1573p	2,238	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cu 2nd Prf.		110¼	-½	113½	93	13.8	9.0	-
9¼pc Non-Cum Prf		133½	+½	139	113	83.4	9.1	-
Close Bros	♣	427xd	----	435	250	188.3	3.2	φ
Hambros	♣□	387	+1	391	243	679.2	4.5	17.9
7½pc Cv Pf		157	----	164	111½	235.5	6.0	-
Joseph (L)	♣	428	+10	428	313	22.5	4.8	-
Kleinwort Benson	♣†□	484	-1	508	312	851.6	4.0	17.1
Rea Bros	♣†□	52	----	54	39	20.4	1.2	55.0
Schroders	♣†N□	1285	+2	1335	467½	1,297	1.1	28.6
N/V	††	1188	-2	1315	387½	327.0	1.2	23.3
Singer & Fried	♣HN□	80	----	83	48	153.8	4.7	-
Warburg (SG)	♣N□	843	+16	843	529	1,820	2.8	21.3
Wintrust	♣	308	+13	308	186	28.1	3.8	27.8

METALS & METAL FORMING

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

TELEPHONE NETWORKS

TEXTILES

PROPERTY

MISCELLANEOUS

OTHER FINANCIAL

INVESTMENT COMPANIES

TRANSPORT

WATER

MEDIA

OTHER INDUSTRIALS

MOTORS

SOUTH AFRICANS

STORES

PLANTATIONS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ‡ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1303. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	60.29	50.29	60.79	+0.01	5.6
Cobild Prfrance	5½	59.70	58.99	62.92	+0.17	7.5
Ethical	5½	56.07	56.00xd	60.42	+0.24	3.3
European Growth	5½	64.93	65.28	69.63	+0.24	2.5
Income	5½	56.90	57.23	61.04	+0.71	5.3
Intl Growth	5½	87.58	88.21	94.09	+0.20	2.8
Managed	5½	75.39	76.17	81.24	+0.95	3.3
UK Growth	5½	60.29	60.72	64.76	+0.36	4.0

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	47.70	47.70	50.60	+0.3	1.45
UK Equity Gth Acc	5¼	65.05	66.22	70.30	+0.5	1.28
UK Eq High Inc Inc	5¼	38.20	38.20xd	40.60	+0.3	3.43
UK Eq High Inc Acc	5¼	45.89	45.89	48.76	+0.3	3.43
UK Equity Gen Acc	5¼	57.99	69.05	62.75	+0.4	1.89
UK Equity Gen Inc	5¼	43.68	44.40xd	47.27	+0.3	1.89
UK Larger Cos Acc	F 7½	397.5	402.9	437.2	+2.8	3.55
UK Larger Cos Inc	F 7½	301.8	305.7xd	331.7	+2.1	3.55
Gilt & Fxd Int Inc	3¼	32.56	32.66xd	34.53	+0.1	9.19
Overs Lng Cos Acc	F 7½	293.0	298.9	324.4	+0.8	1.44
Nth American Acc	5¼	43.81	44.07	46.89	-0.1	0.71
Far East Acc	5¼	61.52	61.62	65.37	+0.4	0.25
European Acc	5¼	45.81	45.81	48.66	+0.3	0.88

State Street Unit Trust Mngmt Ltd (1400)F

INVESCO Asset Managemnt Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Asia & Australasia	£3.8310	3.7150	---	2.22
Japan	£2.2200	2.2400xd	---	0.20
Intl Mngd PF-olio (1000-1)	£1.6580	1.7610	---	0.77
Mngd Pens (Acc)	£0.9237	1.0040	---	3.80
North American	£2.5090	2.6330	---	2.52
Smaller Companies	£1.5990	1.5950xd	---	3.64
UK Core	£1.0970	1.1140xd	---	4.17

Jupiter Merlin Unit Trust Managers Ltd
Jupiter Merlin Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£13.88	14.12	...	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 22	£2075.0	2245.0	---	7.00
Inc Gth Prp Jul 12	£1440.8	1600.0	---	8.90

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Oct 6	£5560.7	5773.5	+21.70	2.29
European Oct 6	£781.0	788.8	+2.80	1.40
American Oct 6	£441.1	445.7	+4.90	1.38
Japan Oct 6	£613.1	620.9	+4.90	1.38
Pacific Oct 6	£219.5	223.0	+1.10	0.49
Midland Gm Aug 31	£131.60	143.80	+7.60	0.78

Allied Dunbar Assurance Plc - Contd.
Ser 4

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int Dep Acc	29.6	31.2	---	-
Equity Acc	35.0	36.9	+0.2	-
Property Acc	23.1	24.4	---	-
Far East Acc	33.4	35.2	+0.2	-
European Acc	30.2	31.8	+0.1	-
Managed Acc	34.4	36.3	+0.1	-
Overseas Acc	34.4	36.3	+0.2	-
Gilt Acc	36.2	38.2	+0.1	-
Am Equity Acc	35.7	37.6	+0.1	-
Am Managed Acc	33.4	35.2	+0.1	-
Am Property Acc	19.8	20.9	+0.1	-
High Income Acc	31.1	32.8	+0.1	-
High Income Ser 2	30.9	32.6	+0.1	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
F I Dep Acc	775.7	816.6	+0.1	-
Prop. Acc.	1122.3	1181.4	+0.3	-
Man. Acc	2481.4	2612.0	+13.3	-
Gilt Edg. Acc.	824.7	868.2	+2.3	-
Eq. Acc	3094.8	3257.7	+16.7	-
Am. Eq Acc	332.3	349.8	+0.3	-
Far East Acc	431.8	454.6	+6.1	-
Euro. Acc	51.7	54.5	+0.3	-

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Gartmore Fund Mngrs Intl Ltd

PO Box 278, 45 La Motte St, Jersey 0534 27526

Capital Strategy Fund Ltd (z)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Fd	$-		2.192		+0.005	–
Canadian Fd	C$-		1.168		+0.004	–
Unidale Fund	£-		3.314		+0.008	1.25
European Fund	DM-		6.878		-0.038	–
Asia Pacific Fd	$-		3.719		+0.053	1.00
Japan Fund	Y-		839.7		+7.3	–
Australian Fd	A$-		0.4903		+0.085	2.00
Global Resources	$-		0.8763		+0.008	1.25
Emerging Mkts Fd	$-		2.432		+0.011	0.50
Int Growth Fund	$-		3.763		+0.008	0.50
Sterling Bond Fd	£-		1.258		+0.001	6.53
ECU Bond Fund	Ecu-		1.062		+0.004	7.03
Int Bond Fund	$-		1.399		+0.001	4.94
[illegible]			1.011		—	2.04
Sterling Deposit Fd	£-		1.006		—	4.94
French Franc Dep Fd	FFr-		10.48		+0.01	7.88
Swiss Fr Dep	SFr-		5.118		+0.002	3.58
DM Deposit Fd	DM-		5.200		+0.003	5.71
Yen Deposit Fd	Y-		605.60		—	2.01
Aust Dlr Deposit Fd	A$-		1.020		—	3.60
US Dollar Bond	$-		1.079		—	4.88
Yen Bond	Y-		532.4		+1.9	3.78
US Dollar Global Curr	$-		0.9814		+0.001	1.00
Sterling Global Curr	£-		1.115		+0.001	2.4

John Govett (Channel Islands) Ltd (1000)F

[illegible] 0534 28578

Global Bank Inv Ltd (Fmly Govett Residual)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global High Income	5½	$10.65	10.65d	10.80	+0.05	10.5
Dollar Cash	5½	$8.93	8.83d	8.86		3.00
Japanese Smllr Cos	5	Y992	992d	1004	+3	0.00
Far East Equity	5½	$17.39	17.39d	17.82	+0.14	0.75
US Smaller Cos	5½	$18.53	18.53d	19.00	-0.11	0.75
European Equity	5½	DM13.13	13.13d	13.25	+0.14	2.00
UK High Income	5	£5.49	5.49d	5.52	+0.01	8.4

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 63, Bond Street, St. Helier, Jersey 0534 604614

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Fixed Int	3½	£1.381	1.381	1.446	+0.002	7.04
Offshore High Yield	3½	£1.570	1.574	1.631	+0.002	7.04
Global Equity Fund	5½	$17.22	17.22d	18.42	+0.004	0.27
European Equity	5½	DM21.74	21.74	23.22	+0.06	0.00
UK Growth (CI Fund)	5½	£5.513	5.546	5.932	+0.23	1.94
Nth American Eqty	5½	$11.75	11.75	12.54	-0.01	1.50
Far Eastern Eqty	5½	£15.34	18.55	19.83	+0.08	0.00
International Mngd	5½	£13.94	13.98	14.95	+0.05	0.00

Intnl. Bond Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed	3½	£12.08	12.08d	12.68	+0.02	7.24
US Dollar Managed	3½	$14.10	14.10d	14.72	+0.08	5.37

International Currency Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed ♣	3½	£32.62	32.62	34.01	+0.06	–
US Dollar Managed ♣	3½	$31.26	31.26	32.39	+0.03	–
Sterling ♣ ‡	0	£29.91	29.91	29.91		4.81

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 31224051

Von Ernst Global Portfolio

Equity Sub-Funds

		Bid	Offer	+ or -	Yield
UK Equity	£-	13.08	–	+0.07	–
UK Smaller Co's Eqty	£-	16.82	–	+0.05	–
Nth American Equity	$-	10.61	–	-0.01	–
US Smaller Co's Eqty	$-	11.07	–	-0.04	–
Pacific Basin Equity	$-	17.62	–	-0.12	–
Japanese Equity	Y-	625	–	–	–
European Equity	DM-	10.18	–	+0.07	–

Bond Sub-Funds

		Bid	Offer	+ or -	Yield
Sterling Fixed Int	£-	13.40	–	+0.03	–
Sterling Fixed Int Dis	£-	11.48	–	+0.03	–
European Fixed Int	DM-	11.15	–	+0.01	–
European Fixed Int Dis	DM-	9.61	–	+0.01	–

International Sub-Funds

		Bid	Offer	+ or -	Yield
Global Equity	$-	11.12	–	+0.14	–
Global Bond	$-	11.09	–	[illegible]	–
Global Bond Dis	$-	10.51	–	[illegible]	–
Global Managed	$-	10.23	–	[illegible]	–

Banque Scandinave a Luxembourg SA

16 Boulevard Royal, L-2449, Luxembourg

Scandifonds

Scandifond Equity Fund

	Init		Bid	Offer	+ or -	Yield
Equity Int. Acc	5	$-	17.21	17.39	+0.05	3.17
Equity Global	5	$-	1.55	1.58	+0.01	–
Equity Natural Res	5	$-	1.18	1.2	+0.01	–
Equity Japan Acc	5	Y-	116.85	118.13	+0.47	–
Equity UK	5	£-	1.49	1.51	+0.01	–
Equity Nordic	5	$-	1.36	1.38	+0.02	–
Equity North America	5	$-	2.04	2.07	–	–
Equity Mediterranean	5	$-	0.97	0.99	–	–
Equity Contl Europe	5	$-	1.62	1.64	+0.02	–

Scandifond Far East

	Init		Bid	Offer	+ or -	Yield
Far East Global	5	$-	3.85	3.9	+0.05	–

Scandifond Bond Fund

	Init		Bid	Offer	+ or -	Yield
Bond Int. Acc	1	$-	12.87	13.01	-0.01	4.84
Europe Bond Acc	1	$-	1.82	1.85	-0.01	7.15
Bond DEM Acc	1	DM-	1.28	1.3	+0.01	6.84
Bond USD Acc	1	$-	1.47	1.49	–	6.70
Bond Swedish Acc	1	SKr-	17.04	17.22	+0.1	[illegible]

Scandifond International Shares

	Init		Bid	Offer	+ or -	Yield
Intl Emerging Markets	5	$-	1.22	1.28	–	–

Barclays Diversified Portfolio

14 rue Aldringen L-1118 352 4798 [illegible]

		Bid	Offer	+ or -	Yield
IPB Deutschmark Reserve	DM-	31.08	–	–	–
IPB Sterling Reserve	£-	10.85	–	–	–
IPB Swiss Franc Reserve	SFr-	30.87	–	–	–
IPB US Dollar Reserve	$-	20.49	–	–	–
IPB European Bond	Ecu-	18.62	–	–	–
IPB North America Bond	$-	22.03	–	–	–

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Pound lifts against D-Mark

STERLING stood out in a virtually lifeless foreign exchange market with a respectable performance against a range of currencies including the D-Mark and dollar yesterday *writes Peter John.*

Investor buying from South East Asia and Europe pushed the pound up by one and a half pfennigs against the German currency which suffered from the impact of very disappointing industrial order statistics, and a cent against the dollar.

It followed the dollar higher in early trade and closed at DM2.4775, up from DM2.4625 previously and at $1.5260, up from $1.5170.

The rise coincided with a general lift in UK financial markets: the FT-SE 100 index scraped to an all-time closing high and long-dated government bonds were up by around three-quarters of a percentage point.

However, most dealers and economists, were at a loss to provide any concrete reason for the burst of enthusiasm and tended to focus on the Tory Party conference. There was no good news to latch on to but the party was at least making a pretence at cohesion.

Also, the background of low growth with low inflation and the consequent expectation of a cut in base rates remains. However, an interest rate cut has been so fully discounted that the market is focusing on the fundamental economic advantages of the UK over the rest of Europe.

Elsewhere, most markets were on hold ahead of key employment data from the US on Friday. Economists are looking for a rise of between 150,000 and 200,000 in the non-farm payroll figure for September. That figure is seen as a crucial pointer to a US recovery that has appeared to be running out of steam recently. If it is lower than predicted there could easily be a slide in the dollar which held its own yesterday.

The currency was supported by US investment funds who decided that it had hit the bottom of its range but it came under pressure from cross-currency options expiries. It closed relatively flat against the Japanese Yen at 105.60 and the D-Mark at DM1.6230.

The volatility on currency options – one of the principal elements determining their price – has fallen dramatically in some cases and was blamed for the low level of activity in the underlying market.

● The Portuguese escudo was quoted at Es102.958 against the D-Mark as the Bank of Portugal intervened to support the currency. Dealers said the central bank intervention was aimed at bringing the rate back past the psychological level of Es103.

● The Belgian franc weakened to BFr21.67 to the D-Mark against BFr21.60 on light selling by external investors.

● The Canadian dollar was marginally firmer at C$1.3370 against its US counterpart ahead of elections on October 25. Kidder Peabody argues that the currency is undervalued and should approach C$1.20 over the next 12 months.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.14671	-2.28	6.38	-
D-Mark	1.94964	1.91105	-1.98	6.07	-
Spanish Peseta	154.250	154.082	-0.18	4.09	1
Irish Punt	0.808628	0.811616	0.39	3.58	-3
French Franc	6.53883	6.66758	1.97	1.98	-16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
Singapore	2.3715 - 2.3730	1.5580 - 1.5590
S Af (Cm)	5.2545 - 5.2575	3.4525 - 3.4540
S Af (Fn)	6.3055 - 6.3210	4.1430 - 4.1530
Taiwan	40.75 - 40.90	26.75 - 26.85
U.A.E.	5.5890 - 5.5895	3.6715 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls November	Calls December	Calls March	Puts November	Puts December	Puts March
121	-	3.21	-	-	0.06	-
122	-	2.29	6.21	0.04	0.14	0.06
123	-	1.46	-	0.10	0.30	-
124	0.55	0.83	-	0.36	0.65	0.25
125	0.17	0.41	-	-	1.21	0.40
Open Int	12,906	[illegible]	51,806	7,81187	158,877	46,175

Estimated volume 91,853 † Total Open Interest 473,645

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	12
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk.	6.5
●Rea Brothers	6
* Roxburghe Bank Ltd	6
* (in administration)	
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

German repo tight

GERMANY was the focus of European money market operations yesterday. The Bundesbank kept its interbank lending on a tight leash and reinforced the widespread belief that it will not cut key interest rates at today's council meeting, *writes Peter John.*

The main elements of the German repo that exercise the minds of economists are whether the 14-day rate is fixed or variable, what level it is set at and how much is allocated. All three factors disappointed rate cut apologists yesterday.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The central bank allocated DM66.3bn at a fixed rate of 6.7 per cent over two weeks and DM14.8bn and at a variable rate no lower than 6.71 per cent over 35 days. The 6.7 per cent level has remained the same for the past five weekly repos and and economists estimated that the Bundesbank drained around DM1.7bn from the system while the banks were looking for an injection of some DM5bn to relieve the tight monetary conditions of recent days. The unwillingness to meet bank demands ensured that call money remained between 6.8 per cent and 6.95 per cent.

In spite of conciliatory comments on interest rates from Mr Hans Tietmeyer, the new head of the Bundesbank, most analysts remained convinced that an imminent reduction in the discount rate, which sets the floor for German lending, was unlikely.

In the UK, short sterling barely moved with the contract for December closing unchanged at 94.34 on turnover of just over 10,000 lots, a volume described by one dealer as "pitiful". However, the spread between the December and March contract has widened to 20 basis points underlining the enduring faith in lower interest rates.

Bank of England operations proceeded effortlessly in spite of a much larger than average liquidity shortage. The forecast shortage of £1.85bn was principally absorbed when the central bank bought £1.7bn of bills from the market at a rate of 5$\frac{13}{16}$ per cent bills repayable in equal amounts on October 25, 26 and 27.

The Bank also announced a one-week special roll-over rate at 5⅞ per cent and set a roll-over rate of 5⅞ per cent for the duration which is being extended to November 3 from October 6. The facility was introduced last September to reduce pressure in the money market after sterling's exit from the European Exchange Rate Mechanism.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close October 6

INDICES

	Oct 1	Sep 24	Sep 17	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.88	2.81	3.34
	Sep 29	Sep 22	Sep 15	year ago (approx.)
S & P Industrial div. yield	2.49	2.51	2.47	2.70
S & P Indl. P/E ratio	27.76	27.52	27.84	27.40

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Adv Micro	8,408,050	22	- 4¾
Wal-Mart	5,978,200	25	+ 1¼
Micron Tech	3,283,400	46⅞	- 4⅛
Chrysler	2,488,300	46⅝	+ ½
RJR Nabisco	2,433,000	4⅝	- ⅛
Nat Semi	2,415,400	18⅞	- 1¼
Texas Inst	2,404,200	70¼	- 5¼
HCA-Hospital	2,355,000	28⅝	- ¼
Columbia Health	2,340,100	28⅝	- ¼
Am T & T	2,206,800	57⅞	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Oct 5	Oct 4	Oct 1
New York SE	283.558	225.843	258.585
Amex	23.620	19.423	20.184
NASDAQ	308.431	237.502	280.018
NYSE			
Issues Traded	2,813	2,637	2,613
Rises	986	1,146	1,096
Falls	991	887	888
Unchanged	626	604	629
New Highs	142	139	142
New Lows	20	15	23

CANADA

TORONTO	Oct 6	Oct 4	Oct 1	Sep 30	1993 HIGH	1993 LOW
Metals & Minerals	2870.20	2846.57	2825.89	2825.12	3140.94 (16/8)	2748.31 (21/1)
Composite	4014.11	4002.00	3988.20	3980.50	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1894.82	1876.09	1889.74	1867.17	1983.55 (1/9)	1730.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical ... and lowest prices reached during the day by each stock; ... Telekurs) represent the highest and lowest values that the ... (figures in brackets are previous day's). ¶ Subject to official recalculation.

WORLD				
M.S. Capital Intl.(1/1/70) $	600.0*	597.5	595.0	592.5
Euro Top-100 (26/6/90)	1132.15	1125.34	1112.48	1108.79

*Saturday October 2: Taiwan Weighted Price 3803.86; Korea Comp Ex 719.55. ¶ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen, MIB Gen, CAC40, Euro Top-100, CBS ... – 1,000; JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – ...

TOKYO - Most Active Stocks

Wednesday, October 6, 1993

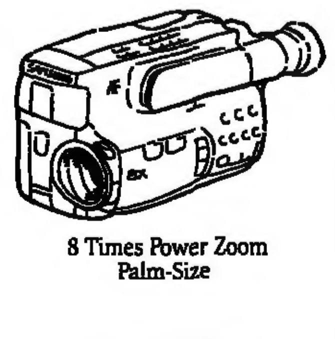
	Stocks Traded	Closing Prices	Change on day
Nippon Steel	14.4m	339	+19
Fujitsu	12.1m	861	+31
Kawasaki Steel	9.9m	359	+17
NKK Corp	7.0m	280	+12
Tokyo Gas	5.6m	535	+20
NEC Corp	5.3m	980	+28
Mitsubishi Hvy	4.4m	688	+33
Tokyo Elec Pwr	3.4m	3,520	+150
Mitsubishi Motor	3.3m	826	+23
Sumitomo Ml Ind	3.2m	314	+8

JAPAN

4 pm close October 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	675	140	13½	13⅛	13½	+¼
29⅞	13¾	A L Labs A	0.18	1.0	35	408	17⅞	17½	17⅞	+¼
67¼	54⅝	AMP Inc	1.60	2.4	23	1205	66¼	65½	65⅞	+⅛
72¾	55½	AMR			16	4771	65¾	64¼	64⅞	-⅝
3⅞	1¾	ARX			14	568	3¾	3⅝	3¾	
51½	29⅞	ASA	2.00	4.5	28	1651	44¾	43½	44¾	+1¾
30¾	22⅝	Abbott Lab	0.68	2.5	17	6113	27¼	26¾	26⅞	-¼
12⅞	8¼	Abitibi Pr	0.50	6.0	3	2	8⅜	8⅜	8⅜	
15¼	8¼	Acptncaln			46	736	14½	14⅜	14½	-⅛
36	25½	ACE Ltd	0.92	2.8		455	33½	33⅜	33⅜	-⅛
12	10¾	ACM Gvt In	0.96	8.5		199	11⅜	11¼	11¼	
10	9⅛	ACM GvOpp x	0.80	8.2		28	9⅞	9¾	9¾	
9⅞	8¾	ACM Gvt Sp x	0.80	8.2		158	9¾	9⅝	9¾	
11⅝	10½	ACM Gvt Se x	0.96	8.4		531	11½	11⅜	11⅜	
11⅝	9⅝	ACM Man x	1.08	9.4		103	u11⅝	11½	11½	
9⅜	8⅝	ACM Mangd x	0.72	7.8		93	u9⅜	9¼	9¼	-⅛
12⅞	7¾	Acme Clevs	0.44	4.7	12	92	9⅜	9¼	9⅜	
9¼	6⅜	Acme Elect			46	41	6¾	6½	6½	-⅛
27⅝	18⅜	Acordia	0.44	1.7	15	71	26¼	25¾	25¾	
16	10⅜	Acuson			33	159	12¼	12	12⅛	+⅛
21¾	18¼	Adams Expr	0.46	2.5	0	132	19	18⅞	18⅞	
68¼	45½	Ad Micro	3.00	5.9		2854	52	50¼	50¼	-1⅛
32¾	17⅝	Ad Micro P	3.00	14.3	8	41211	21⅞	20¾	21	-⅞
7¼	5½	Advest Grp	0.16	2.3	12	176	7	7	7	
24¾	15½	Advo Inc	0.08	0.5	17	221	15⅞	d15½	15½	-⅜
50⅛	41⅛	Aegon ADR	1.23	2.5	10	550	u50¼	50	50	-⅛
61¾	43⅞	Aetna Lf	2.76	4.5	42	2547	u61¾	61⅛	61⅜	-¼
34	26½	Aflac	0.40	1.3	15	645	32	31	31¼	-⅝
22⅛	16¾	Ahmanson	0.88	4.5	6	1844	19¾	19⅜	19½	-¼
7¾	3⅝	Aileen Inc			5	38	3⅞	3¾	3⅞	
48½	24⅞	Air Pr Chm	0.92	2.4	15	1527	38½	38⅛	38⅜	+⅛
26½	18⅛	Airbne Frt	0.30	1.2	32	314	24½	24⅜	24½	+⅛
39½	18¼	Airgas Inc			43	136	u39½	38¾	39½	+⅝
15⅜	10½	Airlease x	1.72	11.7	11	83	14⅞	14¾	14¾	-⅛
109½	101	AlaPw8.16	8.16	7.7		z100	106	106	106	
107	102½	Alab 8.28C	7.28	7.1		z20	102⅞	102⅞	102⅞	



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4 pm close October 6

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	15½	S Anita Rt x	1.36	7.1	17	245	19⅜	18⅞	19¼	+¾
20¾	14⅞	SCOR US Cp	0.32	1.9	207	93	16⅝	16⅝	16⅝	
29¾	20	SPS Techno	1.28	4.6	20	6	28⅛	28	28⅛	+⅛
15¼	12⅞	Sabine Rit	1.74	11.5	10	58	15⅛	15⅛	15⅛	+⅛
14	8⅞	Safecard	0.20	1.4	13	2626	13⅞	13⅝	13⅞	
23½	15⅞	Safeg'd Sc			10	103	22¼	21⅝	22	+⅜
24¾	14⅛	SafetyKIn	0.36	2.4	22	3226	15¼	14¾	14⅞	-¾
19⅞	10⅞	Safeway			30	4282	u19⅞	19⅛	19⅝	-⅛
4⅞	2	SafewayW93				311	u4½	4⅜	4⅜	
55	37½	StJoePaper	0.20	0.4	140	89	47⅞	46¼	47⅞	+1½
37⅞	31	StJosL&P	1.76	4.9	14	4	36¼	36¼	36¼	-¼
94	75	St Paul's	2.80	3.1	14	620	91¼	89⅞	91	+⅞
11⅛	7½	Salant Crp			4	15	8	7⅞	8	
75¼	38⅞	Sallie Mae	1.20	2.6	10	1949	46¼	45¼	45¾	+½
14¼	13	Salomon Br	0.32	2.3		256	14	13⅞	14	+⅛
51⅞	34	SalomonInc	0.64	1.3	12	3573	50¼	49	49⅛	
27¾	23¼	SanDgo G&E	1.48	5.6	14	173	26⅜	26	26⅜	+¼
5	3½	SantaFeEDu	0.40	8.2	48	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeERs	0.16	1.8	506	2153	10⅝	10⅛	10⅛	-½
40¾	35¼	SantaFePac	2.80	7.2	13	52	39⅛	38¾	39	
19⅞	12¾	SantaFPac	0.10	0.5	12	3112	19⅛	18⅝	18⅞	+¼
31⅛	21	Sara Lee	0.58	2.5	16	3681	23⅞	23½	23⅝	
51⅞	40⅛	Scana Corp	2.74	5.4	15	956	50½	50⅛	50½	
25¾	21½	Searcorp	1.42	6.1	14	7102	23⅝	23⅛	23⅜	-⅛
38⅞	29⅞	ScherePr			26	102	32⅝	32⅛	32⅜	
70⅞	51⅞	SchergPl	1.60	2.7	16	2063	67¼	65⅞	66	-1

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NASDAQ NATIONAL MARKET

4 pm close October 6

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AMEX COMPOSITE PRICES

4 pm close October 6

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AMERICA

Dow recovers 3,600 level in early trading

Wall Street

AFTER a hesitant start, program buying and strong financial stocks helped US share prices post solid gains across the board in early trading, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 18.44 at 3,605.70, the first time that it has been above 3,600 in more than two weeks.

The more broadly based Standard & Poor's 500 was 0.82 higher at 462.02, while the Amex composite was up 1.50 at 463.18, and the Nasdaq composite 4.61 higher at 766.88, a new record.

Trading volume on the NYSE was 156m shares by 1 pm, and rises outnumbered declines by 1,042 to 764.

Prices opened only slightly firmer, as traders and investors waited for a lead from the bond market. Although bond prices rose marginally in early trading, they failed to provide much impetus to equity prices. Participants in both markets seemed reluctant to trade actively ahead of tomorrow's important September employment report.

Additionally, equity investors remained nervous about the approaching third quarter reporting season. Some are worried that the moderate rate of economic growth recorded over the summer will have hindered corporate profitability, and that third quarter earnings will come in below expectations.

Stocks, however, picked up ground later in the morning session, aided by sporadic computerised buy programs and firmer financial stocks. Among the latter, banks were universally higher in the wake of an announcement from Chemical Banking that it would report record net income for the third quarter.

Chemical rose $⅝ to $45⅝, Citicorp added $⅛ at $39, Chase Manhattan put on $½ at $37⅞, NationsBank firmed $¾ to $53⅛ and BankAmerica rose $⅛ to $44⅝.

Semiconductor stocks, hit hard on Tuesday by poor earnings from Advanced Micro Devices, rebounded. Texas Instruments rose $1⅛ to $71⅞, Motorola put on $1⅝ at $100⅝ and Intel, traded on the Nasdaq market, firmed $1⅝ to $71⅝. Advanced Micro itself, however, remained under heavy selling pressure, falling another $⅝ to $21¼ in volume of 3m shares.

Goodyear Tire & Rubber rose $1⅛ to $46½ in volume of more than ½m shares after the company said that it expects to report third quarter net income of between $130m and $135m, up from $91m a year ago.

Nike fell $1 to $45 on the news that Michael Jordan, the basketball star and the most famous promoter of Nike goods, is to retire from the game at the premature age of 30.

Canada

TORONTO maintained a firmer tone at noon, with prices supported by the improvement in precious metals and with earlier fears of a Liberal win in the October 25 elections largely discounted. The TSE-300 index was 28.44 higher at 4,042.55 by midday in volume of 28.9m shares.

Gold stocks led the advances with Pegasus trading C$1 higher to C$26, Golden Star Resources C$⅜ ahead at C$13¾ and Placer Dome up C$⅜ at C$27⅞.

SOUTH AFRICA

EQUITIES showed renewed enthusiasm helped by foreign buying and a rise in the price of bullion. The gold index added 45 or 3 per cent to 1,528, while industrials were also 45 higher at 4,463 and the overall index up 41 at 3,755.

EUROPE

Rising bond prices cited as DAX tests 2,000

ACCORDING to the Eurotrack 100, bourses saw their best share prices at the beginning of the day, *writes Our Markets Staff.*

FRANKFURT's DAX index tested the 2,000 mark, peaking at 1,997.71 before ending at a new all-time closing high of 1,987.05, up 14.32.

Turnover eased from DM10.8bn to DM10.6bn. Brokers thought that a break above 2,000 was only a matter of time, and the Ibis indicated DAX rose to 1,994.81 in the afternoon. The talk yesterday was all of the relationship between equities and rising bond prices.

Corporate earnings prospects were a less attractive proposition. According to Mr Horst-Kaspar Greven at Merck Finck in Düsseldorf, the DAX is on prospective earnings of DM75 to DM80 a share for 1993, so it would need eps growth of a quarter to a third in 1994 to put it on a prospective p/e of 20; even that would be at the high end of European valuations.

Big winners on the day included one leader of the recent rally in Allianz, the insurer, up DM32 at DM2,740 on a 1993 progress report; losers took in Daimler, DM6.30 lower at DM753.70 following its US debut, and Kaufhof, down DM10 at DM550 as it sank in that the retailer's plans for a New York quotation did not involve a change in its accounting practices.

ZURICH marched to a second consecutive record close, supported by hopes for lower interest rates and a firm bond market. The SMI index added 13.5 to 2,534.8

Insurers were led higher by Zurich Insurance, SFr16 ahead at SFr1,291. *Kleinwort Benson,* which rates it as a buy, said that in spite of one of the worst underwriting years on record, Zurich's core Swiss insurance market continued to provide a profitable, stable platform for earnings growth.

Bearers in SMH, the watchmaker, added SFr47 or 5.0 per cent to SFr991 in active trade as the company sought to clarify earlier comments on the profits outlook. SMH had fallen by 11.5 per cent over the previous three sessions.

PARIS drifted throughout the session and the CAC-40 index closed 5.69 ahead at 2,164.46, after a day's high of 2,179 and a low of 2,156.

Paribas Capital Markets, in *its latest focus on French equities,* remained positive on the medium term outlook, forecasting that the CAC-40 index could reach the 2,350 level by the year end, helped by falling interest rates.

On a sector-by-sector analysis Paribas recommended a long-term switch into consumer stocks, noting that food retailing, particularly hypermarkets, can be expected to perform well, given an expected improvement in consumer spending. The brokers commented that food retailers could see earnings growth of between 15 and 20 per cent in 1993, and that Carrefour and Promodes had the potential to achieve high growth. Shares in *Carrefour closed yesterday* up FFr87 at FFr3,586.

SocGen advanced FFr7 to FFr662 ahead of reporting a 9 per cent rise in first half profit after the close.

MILAN saw late profit-taking pull prices back from their best levels with the fortunes of Fiat group companies again the day's main theme. The Comit index rose 3.94 to 600.41.

Fiat gave up an early advance to finish L11 easier at L6,172 although Ifil, the Agnelli holding company, was L113 ahead at L6,045.

MADRID's climbers included Argentaria, up Pta100 at *Pta5,770, Tabacalera,* Pta90n better at Pta3,780, and Telefónica, up Pta40 at Pta1,625 as the general index closed 2.47 higher at 291.51.

Mr Stephen Hughes at Kleinwort Benson said that Argentaria (up Pta350 this week) was recovering from weakness following a new equity issue; Tabacalera reacting to a new chairman, who talked of job cuts this week; and Telefónica to a KB buy note which went down well in the US market.

AMSTERDAM was broadly higher although Hoogovens, the steel group, fell back Fl 1.80 to Fl 43.00 in spite of denying rumours that it might file for court protection against creditors or issue new share capital.

The CBS Tendency index gained finished up 1.00 at 127.9.

STOCKHOLM followed Tuesday's tax cut proposals with a morning rally, but the afternoon saw an upward correction in money market interest rates and the Affärsvärlden General index closed only 1.3 higher at 1,327.0.

A fall in Ericsson B shares, down SKr7 to SKr437, from Tuesday's all-time high weighed on the market, as did a decline in Volvo B, off SKr9 to SKr431.

OSLO, in contrast, was spurred to a 2 per cent gain by lower domestic interest rates and forecasts of a narrower budget deficit for 1994, the all share index closing 11.62 higher at 575.55.

COPENHAGEN closed 1.1 per cent higher with the KFX index up 1.09 at 98.86.

Investor interest in Superfos, the agricultural chemical, grain and road-building group, was stimulated by continuing rumours that the company *could be the subject of a hostile takeover.* The shares rose DKr17 to DKr384.

ISTANBUL retreated by 1 per cent as a consolidation phase, which began on Monday, was seen continuing. The composite index lost 163.9 to 15,698.9 in turnover of TL1,200bn. However, most market commentators believe that equities remain positive and forecast further gains in the short-term.

FT-SE Actuaries Share Indices

October 6 — THE EUROPEAN SERIES

Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1324.44	1323.73	1322.73	1321.71	1321.80	1321.39	1322.16	1321.84
FT-SE Eurotrack 200	1402.91	1402.74	1400.83	1399.80	1399.74	1399.39	1400.77	1403.39

	Oct 5	Oct 4	Oct 1	Sep 30	Sep 29
FT-SE Eurotrack 100	1313.91	1299.14	1293.99	1293.02	1288.31
FT-SE Eurotrack 200	1391.47	1377.73	1368.19	1362.51	1356.79

Base value 1000 (26/10/90) High/day: 100 - 1324.88; 200 - 1404.48 Low/day: 100 - 1320.58 200 - 1399.11.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

ASIA PACIFIC

Australia driven to six-year high by offshore-buying

Tokyo

BARGAIN hunting by overseas investors supported share prices, and the Nikkei average was led higher by a rise in large-capital stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei rose 178.32 to 20,500.25. Arbitrageurs bought shares as futures firmed and margin traders, who sold stock in April, bought back stocks to clear their positions.

The index saw a low of 20,312.93 in early trading, but gained ground as foreign buying came in, and rose to an afternoon high of 20,529.55. Volume totalled 332m shares against 229m, helped by rumours of good economic figures coming next week.

Advances led declines by 700 to 320 with 167 unchanged. The Topix index of all first section stocks advanced 18.85, or 1.2 per cent to 1,653.78. In London, the ISE/Nikkei 50 index rose 4.34 to 1,284.99.

Traders said that investors switched from small capital, high growth stocks to large capital issues on the main market. "The pessimism has been overdone. Not a lot of people want to sell at these levels," said Mr Alan Livsey, a strategist at Kleinwort Benson.

Large-capital issues such as steels and shipbuilders gained ground. Nippon Steel, the most active issue of the day, rose Y19 to Y339, Kawasaki Steel advanced Y17 to Y339 and Mitsubishi Heavy Industries gained Y23 to Y668. Investors were also encouraged by reports of liquefied natural gas tanker orders from Qatar.

Arbitrage buying linked to the Topix index supported financials. Industrial Bank of Japan rose Y20 to Y3,240 and Sumitomo Bank by Y30 to Y2,260.

Nippon Telegraph and Telephone firmed Y21,000 to Y889,000.

Utilities issues were higher on the higher yen, lower fuel costs and hopes of higher profits. Tokyo Electric Power rose Y150 to Y3,520 and Tokyo Gas Y20 to Y535. The latter expects its pre-tax profit for the first six months to September to have tripled.

Video game makers and amusement equipment makers continued to decline following Nintendo's downward earnings revision earlier in the week. Sega Enterprises fell Y200 to Y10,500 and Namco lost Y40 to Y3,380.

In Osaka, the OSE average gained 181.18 to 22,455.81 in volume of 16.2m shares. Nintendo fell Y130 to Y8,530.

Roundup

SEVERAL Pacific Rim markets continued on their winning ways. Karachi is closed until Sunday as general and provincial elections take place.

AUSTRALIA broke through chart resistance to close at a second consecutive six-year high. The All Ordinaries index rose 20.3 or 1.0 per cent to 2,018.8 driven by offshore investors, especially from Asia.

The index is now less than 300 points below its all-time high of 2,306.2, set on September 21, 1987.

HONG KONG continued its run, a further influx of foreign investment taking the Hang Seng index up 172.09 or 2.19 per cent to 8,041.47, its fourth consecutive peak.

A round of profit-taking pared half of a 130-point early gain by late morning but renewed buying emerged after Mr Chris Patten, the governor, began his annual policy speech during the afternoon.

Heavy demand from US and European funds gave the index its late surge, carrying it above the 8,000 level. A number of strategists have increased their weightings for the Hong Kong market in recent days.

BANGKOK surged 3.8 per cent to a three year high on continued strong demand from foreign and local institutions which has seen the market climb 9.6 per cent in the last five trading days. The SET index added 38.79 to 1,058.24 on the back of Tuesday's 2 per cent gain, in high volume of Bt18.35bn.

NEW ZEALAND was encouraged by sharply lower government deficit predictions announced late on Tuesday, and a broadly based wave of buying took the NZSE-40 capital index 26.92 higher to 1,982.53.

TAIWAN saw late selling in some speculative shares cut earlier gains which were sparked by hopes of a further credit easing in reaction to September's low inflation rate.

The weighted index closed 1.36 ahead at 3,814.62, off an intra-day high of 3,832. Turnover remained thin at T$10.9bn against Tuesday's T$10bn.

SINGAPORE closed higher in record volume of 661.95m shares, underpinned by continuing buoyant interest in Malaysian speculative shares. The Straits Times Industrial index rose 5.61 to 2,039.12.

KUALA LUMPUR saw heavy profit-taking drag share prices down from their day's highs, and the composite index closed 7.79 higher at 865.77.

Peru and Sri Lanka join the IFC stable

By John Pitt

Peru and Sri Lanka take their places in the IFC's emerging markets investable indices for the first time this week, raising the *number of markets covered to* 20. The IFC also announced that it intends to issue data on Zimbabwe and China in the new year.

Peru's equity market has been one of Latin America's strong performers this year, although some profit-taking in September pulled prices lower. However, the local IBVL index reacted impressively at the start of this week, reaching an historic record high, on improved political prospects.

Baring Securities notes that news that the guerrilla group, Shining Path, was willing to negotiate a peace accord with the government of President Alberto Fujimori has lifted sentiment this week.

Baring's Latin American research team also report that September inflation data, revealing the lowest monthly rate in 17 years, suggests that the government's target of a ceiling of 40 per cent for the year now seems feasible.

Trading in Peru is expected to remain choppy ahead of the referendum on a new constitution later this month.

Sri Lanka has shown a healthy 30 per cent gain in dollar terms since the start of the year, indicating, says the IFC, a preference for blue chip stocks. In practice, the index contains only five tradeable stocks.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Sep 17 1993	Dollar terms: % Change over week	Dollar terms: % Change on Dec '92	Local currency terms: Sep 17 1993	Local currency terms: % Change over week	Local currency terms: % Change on Dec '92
Latin America							
Argentina	(11)	750.10	+5.3	+29.3	460,276.95	+5.3	+29.6
Brazil	(44)	221.52	-3.8	+77.2	39,250,884.12	+3.7	+1,782.1
Chile	(20)	447.28	+1.3	+6.9	736.48	+1.9	+14.8
Colombia[1]	(8)	447.73	+1.3	+12.4	686.06	+1.4	+12.2
Mexico	(58)	700.24	-0.9	+3.6	940.98	-0.6	+3.6
Peru	(7)	109.81	+5.8	+9.8	142.93	+6.6	+42.9
Venezuela[2]	(8)	505.68	-5.6	-2.7	1,120.99	-4.9	+20.1
East Asia							
South Korea[3]	(130)	98.20	+2.3	+0.0	104.39	+2.3	+2.6
Philippines	(11)	191.16	-0.8	+43.2	260.89	+0.7	+61.4
Taiwan, China[4]	(76)	78.60	-2.0	+6.5	78.41	-2.3	+12.4
South Asia							
India[5]	(61)	90.68	-1.7	-3.2	100.28	-1.7	+5.0
Indonesia[6]	(31)	93.69	-0.3	+59.6	107.03	-0.3	+62.7
Malaysia	(61)	246.09	+3.7	+50.5	231.32	+3.6	+46.6
Pakistan[7]	(8)	229.70	+2.5	+14.7	310.65	+2.5	+34.0
Sri Lanka	(5)	131.53	-0.3	+31.5	140.65	-0.3	+40.7
Thailand	(52)	227.15	+1.9	+20.3	277.75	+2.2	+19.1
Euro/Mid East							
Greece	(17)	226.21	+3.3	+15.8	359.71	+3.3	+26.3
Jordan	(5)	165.58	+0.4	+41.7	236.40	+0.8	+42.6
Portugal	(16)	104.22	-1.6	+35.1	120.37	-1.4	+54.4
Turkey[8]	(31)	192.22	+8.3	+187.5	1,093.57	+9.1	+307.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Jan 8 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Oct 5 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Oct 4 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1993 High	1993 Low	Year ago (approx)
Australia (69)	146.22	+1.4	142.90	97.55	123.42	150.15	+1.2	3.44	144.26	141.18	96.48	121.80	148.34	148.84	117.39	122.45
Austria (17)	173.65	+1.6	169.71	115.86	146.57	146.72	+1.9	1.07	170.96	167.31	114.34	144.35	144.04	180.43	131.16	156.52
Belgium (42)	149.68	+1.5	146.29	99.86	126.34	129.38	+1.2	4.45	147.45	144.30	98.61	124.49	127.82	156.76	131.19	142.39
Canada (107)	122.23	+0.3	119.46	81.55	103.16	118.60	+0.4	2.85	121.87	119.26	81.50	102.89	118.07	130.38	111.41	114.34
Denmark (32)	230.96	+0.5	225.73	154.10	194.95	207.01	+0.7	1.10	229.79	224.88	153.68	194.02	205.49	233.14	185.11	201.54
Finland (23)	115.42	+3.5	112.80	77.01	97.42	139.43	+2.5	0.74	111.52	109.13	74.59	94.16	136.03	118.56	65.50	57.74
France (97)	171.40	+1.1	167.51	114.35	144.66	152.58	+1.2	3.02	169.59	165.96	113.41	143.17	150.70	171.69	142.72	148.17
Germany (60)	131.45	+2.3	128.47	87.71	110.95	110.95	+2.2	1.90	128.52	125.77	85.96	108.51	108.51	131.45	101.59	109.33
Hong Kong (55)	312.06	+1.4	304.98	208.20	263.41	309.86	+1.4	3.29	307.64	301.06	205.74	259.76	305.55	312.06	218.82	229.33
Ireland (14)	172.65	+0.9	168.73	115.19	145.72	168.82	+1.1	3.32	171.05	167.39	114.39	144.41	166.91	173.06	129.28	142.35
Italy (70)	73.93	+0.9	72.25	49.32	62.40	87.82	+1.0	1.85	73.26	71.70	48.99	61.86	86.94	78.93	53.78	48.35
Japan (469)	153.83	+0.3	150.34	102.63	129.86	102.63	+0.0	0.81	153.40	150.12	102.58	129.53	102.59	165.91	100.75	108.24
Malaysia (69)	423.52	+1.3	413.91	282.56	357.46	415.12	+1.2	1.67	418.20	409.25	279.67	353.08	410.31	423.52	251.66	245.61
Mexico (19)	1678.63	+0.9	1640.55	1119.98	1416.85	5717.04	+0.8	0.86	1664.06	1628.46	1112.89	1404.99	5671.07	1771.56	1410.30	1337.73
Netherland (24)	188.49	+0.7	184.21	125.76	159.10	156.87	+0.7	3.49	187.19	183.19	125.19	158.05	155.84	188.49	150.39	164.15
New Zealand (13)	60.11	+0.5	58.74	40.11	50.74	58.18	+0.8	3.84	59.79	58.51	39.99	50.48	57.68	62.98	40.56	40.27
Norway (23)	175.46	+1.1	171.48	117.07	148.10	169.27	+1.1	1.51	173.62	169.90	116.11	146.59	167.37	177.44	137.71	138.23
Singapore (38)	305.81	+1.6	298.87	204.04	258.12	221.47	+1.0	1.53	301.04	294.60	201.33	254.17	219.33	305.81	207.04	187.05
South Africa (60)	204.05	-0.1	199.42	136.14	172.22	183.86	-1.1	2.85	204.16	199.80	136.54	172.37	185.86	215.29	144.72	144.92
Spain (42)	137.53	+0.3	134.41	91.76	116.08	137.06	+1.0	4.19	137.07	134.13	91.67	115.73	135.72	140.97	115.23	110.53
Sweden (36)	193.81	+1.8	189.42	129.31	163.59	231.68	+1.9	1.46	190.34	186.27	127.30	160.71	227.39	196.23	149.70	149.69
Switzerland (50)	142.66	+0.9	139.42	95.19	120.43	125.72	+1.2	1.73	141.38	138.36	94.56	119.38	124.20	142.66	108.91	117.02
United Kingdom (218)	190.22	+0.7	185.90	126.90	160.54	185.90	+0.6	3.85	188.93	184.89	126.34	159.50	184.89	191.70	162.00	168.60
USA (516)	188.44	+0.0	184.17	125.73	159.06	188.44	+0.0	2.72	188.50	184.47	126.07	159.16	188.50	189.40	175.38	166.28
Europe (748)	160.04	+1.1	156.41	106.78	135.08	149.38	+1.1	3.02	158.36	154.97	105.91	133.71	147.79	160.04	133.92	136.06
Nordic (114)	183.28	+1.7	179.12	122.28	154.69	189.66	+1.6	1.29	180.26	176.40	120.55	152.19	186.59	183.28	142.13	142.53
Pacific Basin (713)	159.14	+0.4	155.53	106.18	134.33	110.72	+0.2	1.07	158.48	155.09	105.99	133.81	110.51	168.80	105.89	112.39
Euro-Pacific (1461)	159.40	+0.7	155.79	106.35	134.54	126.28	+0.6	1.88	158.32	154.94	105.88	133.67	125.58	162.86	117.26	121.98
North America (625)	184.34	+0.0	180.16	123.00	155.62	183.70	+0.0	2.73	184.37	180.42	123.32	155.69	183.73	185.59	171.51	163.05
Europe Ex. UK (530)	140.69	+1.3	137.50	93.89	118.78	128.06	+1.4	2.48	138.88	135.91	92.90	117.28	126.27	140.69	112.51	116.34
Pacific Ex. Japan (244)	211.29	+1.4	206.50	140.99	178.36	197.18	+1.3	2.92	208.45	203.99	139.43	176.02	194.72	211.29	152.70	153.13
World Ex. US (1647)	159.55	+0.7	155.93	106.46	134.67	128.12	+0.5	1.91	158.49	155.10	106.01	133.82	127.44	162.89	118.51	122.66
World Ex. UK (1947)	166.04	+0.4	162.28	110.79	140.16	142.96	+0.3	2.04	165.43	161.89	110.64	139.69	142.53	168.50	134.22	133.38
World Ex. So. Af. (2105)	168.04	+0.4	164.23	112.13	141.85	146.45	+0.3	2.21	167.36	163.78	111.94	141.32	145.96	170.43	137.29	136.49
World Ex. Japan (1696)	177.72	+0.5	173.69	118.59	150.03	172.05	+0.4	2.83	176.92	173.13	118.33	149.40	171.29	177.72	157.47	152.66
The World Index (2165)	168.17	+0.4	164.36	112.21	141.96	146.81	+0.3	2.21	167.50	163.92	112.02	141.43	146.34	170.42	137.32	136.44

Latest prices were unavailable for this edition.